BC Housing

HOUSING MATTERS

BC HOUSING ANNUAL REPORT 2007 | 08

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Joint Message from the Chair and Chief Executive Officer

This has been a year of achievement for BC Housing and our partners. Under the provincial housing strategy *Housing Matters BC*, more households were served and more resources invested in social housing programs than ever before in the 40 year history of BC Housing.

In 2007/08 provincial spending through BC Housing increased 10 per cent to $552 million by expanding the supply of provincially administered housing programs for frail seniors and those who are homeless, and through rent assistance for low-income working families. Our approach is to target programs to those in greatest need, while also building a more effective system for meeting wider housing and support needs.

Breaking the cycle of homelessness was a major focus for BC Housing in 2007/08 with new and enhanced initiatives. Increased funding for emergency shelters to open 24 hours a day/seven days a week, along with the expansion of homeless outreach to more than 40 communities and homeless rent supplements, are making a difference by connecting homeless people to the housing and services they need. The construction of new supported housing through the *Provincial Homelessness Initiative* and the purchase and upgrade of single room occupancy hotels is expanding the supply of safe, affordable and stable housing for those who might otherwise be on the street. Together these initiatives will help to create an integrated and comprehensive system of housing and support to address homelessness.

We continue to apply innovative approaches to fast-track the development of new social and supported housing to address homelessness. The province is providing $10 million towards pre-development costs to ensure units are ready for construction within one year. In 2007/08, agreements were reached with the City of Vancouver, the City of Victoria and the City of Kelowna to expedite the development of supported housing in those cities. We made significant progress towards the redevelopment of Little Mountain in Vancouver, and are also moving forward with a redevelopment project as part of our agreement with the City of Victoria.

(continued on page 2)

About this Annual Report

The 2007/08 BC Housing Annual Report was prepared under our direction in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principles. We are accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented reflects the actual performance of BC Housing for the twelve months ended March 31, 2008 in relation to the February 2007 service plan. The measures presented are consistent with BC Housing's mandate, goals and strategies, and focus on aspects critical to the organization's performance.

We are responsible for ensuring internal controls are in place to ensure performance information is measured and reported accurately and in a timely fashion.

All significant decisions, events and identified risks, as of March 31, 2008, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgement of management. Any changes in mandate direction, goals, strategies, measures or targets made since the February 2007 service plan was released and any significant limitations in the reliability of data are identified in the report.

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Joint Message from the Chair and Chief Executive Officer (continued)

This year we moved forward with our strategic goals and objectives, meeting or exceeding nine of our 12 performance measures. For example, we adapted 674 existing social housing units to ensure that those in greatest need receive priority for housing assistance, exceeding our target and increasing the number of units that were adapted the previous year. While we did not meet our target number of new households assisted through rent assistance programs, we instituted significant changes to the *Rental Assistance Program* effective April, 2008 that will enable a greater number of working families to bridge the housing affordability gap in the private rental market.

We also took steps to identify and manage risks, including the effects of volatility in the financial markets on mortgage administration as well as rising construction, utility and operating costs. In moving towards more sound environmental practices, we initiated the development of a sustainability action plan that aims to make BC Housing a leader in developing and managing environmentally sustainable social housing. A pilot project which saw energy efficiency features added to 49 social housing buildings across B.C. was expanded to 90 more developments.

It has been a successful year and we made significant progress towards meeting the housing needs of British Columbians. In fact, it has been a very successful 40 years as we looked back during our 40th anniversary celebrations. We are very proud of our history, and are grateful to everyone who has contributed to our achievements. Looking forward we are excited to continue working with all of our partners to build the best system of subsidized housing in Canada for those in greatest need.

Brenda Eaton
Chair

Shayne Ramsay
Chief Executive Officer

Our Business Direction

Housing Matters BC, a housing strategy for British Columbia, provides the framework for the evolution of the housing sector, including the business direction for BC Housing. The strategy contains six goals, each of which is client-focused. BC Housing is the lead government agency ensuring the first four goals are met through a variety of programs and partnerships. Following are a number of initiatives we have underway in support of these long-term goals.

1 THE HOMELESS HAVE ACCESS TO STABLE HOUSING WITH INTEGRATED SUPPORT SERVICES

- Providing new supported housing through the *Provincial Homelessness Initiative*
- Expanding the *Homeless Outreach Program* and providing homeless rent supplements
- Enhancing the *Emergency Shelter Program*

2 B.C.'S MOST VULNERABLE CITIZENS RECEIVE PRIORITY FOR ASSISTANCE

- Delivering new supported and assisted living units through *Independent Living BC*
- Adapting and converting existing social housing units for those in greatest need
- Redeveloping aging and under-utilized social housing sites

3 ABORIGINAL HOUSING NEED IS ADDRESSED

- Building new homes through the *Aboriginal Housing Initiative*
- Delivering the *Aboriginal Homeless Outreach Program* and homeless rent supplements
- Improving capacity and relationship building with the Aboriginal housing sector

4 LOW-INCOME HOUSEHOLDS HAVE IMPROVED ACCESS TO AFFORDABLE RENTAL HOUSING

- Providing assistance through the *Shelter Aid for Elderly Renters* program
- Enhancing the *Rental Assistance Program* for working families

5 HOMEOWNERSHIP IS SUPPORTED AS AN AVENUE TO SELF-SUFFICIENCY

6 B.C.'S HOUSING AND BUILDING REGULATORY SYSTEM IS SAFE, STABLE AND EFFICIENT

Detailed descriptions of BC Housing programs as well as Housing Matters BC can be found at www.bchousing.org

Our Business Direction (continued)

We are ensuring that we develop new units at the supportive end of the housing continuum in order to promote individuals' stability, self-reliance and independence. With the existing housing portfolio, we are ensuring that individuals or households with special housing needs will be given priority access to subsidized housing, and that provincially-owned subsidized housing will be renovated or redeveloped to better meet the needs of low-income households with special needs.

We are also taking steps to ensure that the delivery of new housing units as well as the management of the existing housing portfolio promote sustainability and mitigate impacts on the environment.

ENVIRONMENTAL SUSTAINABILITY AND SOCIAL HOUSING

BC Housing has a new sustainability strategy called *livegreen: A Housing Sustainability Action Plan* that outlines BC Housing's vision of being a leader in North America in developing and managing environmentally sustainable social housing. The plan's three main objectives focus on:

- Reducing energy consumption and implementing measurable sustainability improvements across social housing buildings and BC Housing's operations
- Engaging stakeholders, employees and social housing tenants in positive sustainability actions
- Setting an example that will encourage B.C.'s residential construction sector to practice sustainable construction and property management

In 2008/09, BC Housing will begin reporting on reductions in greenhouse gas emissions in its offices and public housing buildings.

Core Business Areas

BC Housing's core business areas are aligned to support our business direction established through *Housing Matters BC* and integrated within our performance measurement framework (see page 17). Highlights of 2007/08 activities related to our four core business areas are presented in the summary below.

OUR CORE BUSINESS AREAS – HIGHLIGHTS FOR 2007/08

Increasing Housing Options *to respond to gaps in the housing continuum. Where there are gaps in the existing housing continuum, BC Housing works to fill these either by creating new options or adapting existing housing to better meet the needs of vulnerable residents.*

- Delivery of 1,552 new supportive housing units under the *Provincial Homelessness Initiative*
- Established Memoranda of Understanding with the cities of Vancouver, Victoria, and Kelowna to expedite the development of new supportive housing
- Implemented new measures to break the cycle of homelessness including: i) opening emergency shelters 24 hours a day, seven days a week, and ii) expanding the *Homeless Outreach Program* to more than 40 communities

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- Acquired additional single room occupancy hotels and apartment buildings for a total of over 1,428 units to help preserve the supply of affordable rental housing
- Delivered 425 new independent living units under *Independent Living BC*
- Completed the first *Aboriginal Housing Initiative* development, Spirit-Bear Centre in Abbotsford
- Converted 197 subsidized units under the *Seniors' Supportive Housing* program to supportive housing units for low-income seniors who need some assistance in order to continue to live independently
- Provided 20,370 families and seniors with rent assistance through the *Rental Assistance Program* and the *Shelter Aid for Elderly Renters* program
- Approved funding for almost $8 million for 14 innovative new housing projects through the *Housing Endowment Fund*

Maintaining and Administering Existing Housing *to protect and manage for the long term. We have a responsibility to ensure that existing subsidized housing is well managed and well maintained so that it is available for people in need well into the future.*

- Completed 449 modernization and improvement projects at public housing sites
- Completed 11 major modernization and improvement projects
- Carried out building envelope repairs projects at 16 housing sites
- Completed energy and water audits at 25 public housing sites

Providing Client Service *to ensure access to appropriate housing and services for vulnerable British Columbians. We are client-focused in delivering our programs and working with our housing partners.*

- Found suitable housing for more than 1,820 applicants in subsidized housing through the Housing Registry
- Responded to over 124,600 calls through BC Housing's inquiry line
- Increased participation in the Housing Registry by 20 societies

Delivering Services Cost-Effectively *through organizational excellence. We are accountable to British Columbians about how we spend taxpayers' dollars and work to ensure effective and efficient delivery of programs and services.*

- Improved our capacity to address the support needs of vulnerable tenants, and to more effectively match applicants with available units that meet their housing and support needs
- Implemented major IT system improvements
- Implemented BC Housing's "People Strategy" with a focus on employee engagement, leadership, succession planning, learning and growth

Organizational Structure

Our Mandate

The British Columbia Housing Management Commission (BC Housing) was created in 1967 through an Order-in-Council under the Housing Act to fulfill the government's commitment to the development, management and administration of subsidized housing.

Our Vision

Housing solutions for healthier futures.

Governance

BOARD OF COMMISSIONERS

BC Housing is responsible to the Minister of Forests and Range and Minister responsible for Housing through a Board of Commissioners. The government appoints the Board to oversee policy-making for the organization and, in cooperation with senior management, to set the strategic direction. The Board also monitors performance based on the Province's planning and reporting principles. The Board delegates responsibility for the day-to-day leadership and management to the Chief Executive Officer.

The Board incorporates best practices into its governance procedures as guided by the *Best Practice Guidelines on Governance and Disclosure for Public Sector Organizations*. As requested in the guidelines, BC Housing's disclosure is available on the company's website at www.bchousing.org.

STANDING COMMITTEES OF THE BOARD OF COMMISSIONERS

The following three standing committees support the role of the Board of Commissioners in fulfilling its obligations and oversight responsibilities.

Audit and Risk Management Committee

Ensures that the audit process, financial reporting, accounting systems, management plans and budgets, and the system of corporate controls and risk management are reliable, efficient and effective.

Corporate Governance Committee

Ensures that BC Housing develops and implements an effective approach to corporate governance. This enables the business and affairs of the Commission to be carried out, directed and managed with the objective of enhancing value to government and the public.

Human Resources Committee

Provides a focus on senior management human resource and compensation issues.

STANDARDS OF CONDUCT

The Board of Commissioners adheres to the following standards of conduct when exercising its powers and performing the functions of the organization:

- Act honestly, in good faith and in the best interests of BC Housing;
- Exercise care, skill and diligence in decision making; and
- Follow ethical standards in order to avoid real or apparent conflict of interest between Commissioners' private interests and the interests of BC Housing.

The Standards of Conduct guide the conduct for the board, employees, consultants and contractors and suppliers. The policy is available on BC Housing's website at www.bchousing.org.

Shareholder's Letter of Expectations

A key component of the governance framework is the Shareholder's Letter of Expectations. The letter describes the relationship between BC Housing and the provincial government, and mandates direction from government to BC Housing. The Shareholder's Letter of Expectations ensures a mutual understanding between the shareholder and BC Housing on governance issues, corporate mandate, core services, public policy issues, strategic priorities and performance expectations. It is reviewed annually, updated as required and signed by the Chair of the Board of Commissioners and by the Minister of Forests and Range and Minister responsible for Housing.

As set out in the Shareholder's Letter of Expectations, BC Housing's priority is to fulfill the government's commitment to meet the housing needs of British Columbians who are most in need. A copy of this Letter can viewed at www.bchousing.org (see "About BC Housing"), and an excerpt is displayed below. The performance expectations set out in the Letter are integrated within and disclosed through BC Housing's service planning and corporate planning frameworks.

SHAREHOLDER'S LETTER OF EXPECTATIONS (EXCERPT)

Within the 2007/08 budget confirmed for the Corporation, and the 2008/09 and 2009/10 budget targets and Ministry transfers as set out in the Corporation's 2007/08 to 2009/10 Service Plan, ensure effective planning for, and management and delivery of, housing programs and services by:

- Working in partnership with provincial health authorities, the non-profit and private sectors, local governments and others to deliver the Independent Living BC program;
- Working with other provincial ministries and health authorities to establish long-term housing and support services to respond to the needs of homeless/at risk individuals;
- Integrating the federal social housing portfolio with the provincial social housing portfolio;
- Supporting Aboriginal capacity building in the area of housing and transferring administration of additional housing units to the Aboriginal Housing Management Association;
- Initiating comprehensive re-development plans for appropriate subsidized housing sites to further the objectives of the provincial housing strategy;
- Improving access to, and maximizing the use of, government-owned public housing for those with complex housing and health needs through initiatives such as the Seniors' Supportive Housing Program;
- Incorporating environmentally responsible construction and management techniques into developments whenever possible;
- Finding innovative ways to deliver on its mandate and providing support for innovative projects initiated by others; and
- Increasing the number of year-round emergency shelter beds.

Organizational Chart

The following chart highlights BC Housing's key service areas and the responsibilities and accountabilities in each area. There are 451 full-time-equivalent staff employed across the Commission.

Minister of Forests and Range & Minister responsible for Housing
Honourable Rich Coleman

Board of Commissioners
Brenda Eaton, Chair

Chief Executive Officer
Shayne Ramsay

OPERATIONAL BRANCHES

Operations

Vice President: Margaret McNeil

- Provides access to subsidized housing
- Maintains the quality of existing social housing
- Oversees the management of public housing and group homes
- Administers operating agreements of shelter providers, outreach program providers, non-profit housing societies and co-operatives

Development Services

Vice President: Craig Crawford

- Facilitates the development of housing options through the following programs:
  - Independent Living BC
  - Provincial Homelessness Initiative
  - Community Partnership Initiative
  - Aboriginal Housing Initiative
  - Housing Endowment Fund
  - Seniors' Supportive Housing

SUPPORT BRANCHES

Corporate Services

Vice President and Chief Financial Officer: Dan Maxwell

- Provides operational services including finance, information systems, research and planning, legal and program analysis
- Provides mortgage administration for BC Housing and the Provincial Rental Housing Corporation

Human Resources

Executive Director: Agnes Ross

- Recruits and trains staff
- Facilitates labour relations, negotiations, compensation, job evaluation, payroll, benefits management, employment equity and multiculturalism
- Oversees occupational health and safety

Corporate Communications

Executive Director: Susan Thorn

- Provides a broad range of internal and external communications services including communication strategies, media relations, issues management, housing events/announcements, government and stakeholder relations, website management and publications

RELATIONSHIP TO THE PROVINCIAL RENTAL HOUSING CORPORATION

The Provincial Rental Housing Corporation (PRHC) was incorporated in 1973 under the *Business Corporations Act* and exists solely as BC Housing's land-holding company. It holds provincially owned social housing properties, and leases residential properties to non-profit societies and co-operatives. As of March 31, 2008, PRHC held properties with an original cost of $650 million.

The Minister responsible for Housing is the sole shareholder of PRHC. Because of its relationship with BC Housing, PRHC is administered by BC Housing. To ensure the appropriate governance links between the two entities, senior management of BC Housing serve as PRHC's Directors. PRHC does not employ any staff.

The financial statements for PRHC can be found on page 53 of this report.

Housing for those in Greatest Need

THE CONTEXT

The vast majority of British Columbians are housed successfully in the private housing market, even with the rising cost of home ownership and rent in many urban centres. Some households, however, are unable to find suitable housing in the private market. In most cases, households spending 50 per cent or more of their income on rent are considered to be in the worst case need, and at risk of economic eviction or homelessness.

Government-assisted housing in British Columbia is administered by BC Housing and targeted to lower-income households, many of which have complex housing and health needs. Providing assistance to those in crisis is an important component of our programs and services. The map below shows BC Housing's service regions. Using 2006 Census data, the tables show the general distribution of households paying 50 per cent or more of their income on rent and those assisted through the current inventory of subsidized housing units and rent supplements.

In total, 85,457 households in about 200 communities were assisted through BC Housing in 2007/08. Some 800 housing providers – mostly non-profit societies and housing co-operatives – manage about 57,000 units of subsidized housing and BC Housing manages 7,800 public housing units. An additional 20,370 low-income families and senior households receive portable rent supplements to pay rent in the private market through *SAFER* and the *Rental Assistance Program*.

VANCOUVER COASTAL REGION	
Total number of households	419,400
Households spending > 50% of their income on rent	23,300
Households assisted through subsidized housing	30,662
FRASER REGION	
Total number of households	514,100
Households spending > 50% of their income on rent	18,200
Households assisted through subsidized housing	23,976
INTERIOR	
Total number of households	269,100
Households spending > 50% of their income on rent	8,700
Households assisted through subsidized housing	12,348
NORTH	
Total number of households	100,300
Households spending > 50% of their income on rent	2,600
Households assisted through subsidized housing	4,425
VANCOUVER ISLAND	
Total number of households	297,800
Households spending > 50% of their income on rent	12,100
Households assisted through subsidized housing	14,046
TOTAL	
Total number of households	1,600,700
Households spending > 50% of their income on rent	64,900
Households assisted through subsidized housing	85,457

BC Housing's Role in the Housing Continuum

The housing continuum extends from emergency shelter and housing for the homeless through to affordable rental housing and home ownership. The diagram below illustrates this continuum, including the portion that is government-assisted with differing levels of support services.

BC Housing's role is to assist British Columbians in greatest need of affordable and appropriate housing so that they may have healthier futures. We are able to provide this assistance through options along the continuum including: emergency shelter (as a gateway to housing), transitional, supportive and assisted living, independent social housing and rent assistance in the private market.

Where there are gaps in the housing continuum, they are addressed through the creation of new housing options or by adapting existing housing to better meet the requirements of those most in need. And, once people are living in subsidized housing, we want to ensure that they are safe and receive the supports they need to lead healthy lives.

The Housing Continuum

Level of Support Services

HIGH | MODERATE

DEPENDENT — INDEPENDENT

6,258	17,184	41,645			
Emergency Shelter & Housing for the Homeless	Transitional Supportive & Assisted Living	Independent Social Housing	Rent Assistance in the Private Market	Private Market Rentals	Home Ownership
6,258 homeless individuals assisted including: › 2,428 homeless served nightly in shelters › 4,830 homeless housed	17,184 individuals assisted including: › 5,866 people with special needs › 11,318 frail seniors	41,645 households assisted including: › 20,964 seniors' units › 17,085 low-income families › 3,584 Aboriginal families and individuals	20,318 households assisted including: › 15,634 seniors › 4,684 families		
$120.3 million	$97.0 million	$271.9 million	$50.4 million		

Who We Serve

In 2007/08, government helped 85,457 households across the province, with the majority of this assistance targeted to those who are most in need. In order to help people move along the continuum and out of emergency or transitional situations to more stable situations, a combination of housing and supports is needed.

Frail seniors, people at risk of homelessness, people with mental illness or physical disability, those with drug and alcohol addictions, and women with their children fleeing abusive relationships represent some of the groups in our society that are most in need. They need more than a roof over their heads; they need housing with support services in order to maintain successful tenancies, lead healthier lives and participate more fully in their communities. Other households, whose housing problems stem solely from low income, are being helped through rental assistance programs in the private rental housing market, where most already live.

Affordable housing is a bridge that allows people to achieve greater stability in their lives and become more capable of moving away from government assistance.

INDIVIDUALS WHO ARE HOMELESS

- Homelessness is a growing concern for many communities throughout B.C. Some reports estimate the costs of homelessness to the health, social, and justice systems to be over $55,000 per person per year.
- Challenges to finding appropriate housing for people who are homeless include those which are housing-related (e.g. affordability, availability or suitability), as well as those that are related to a combination of life events including disabilities, health issues, addictions, social exclusion, joblessness or a breakdown of relationships.

FRAIL SENIORS AND INDIVIDUALS WITH SPECIAL NEEDS

- The number of senior-led households is expected to increase from 246,000 in 2001 to over 652,000 by 2031, putting pressure on social housing buildings.
- People who require special-needs housing include those with severe physical disabilities, chronic mental illness, those living with HIV/AIDS, drug and alcohol dependencies and women and children fleeing abusive situations.
- Frail seniors and individuals with special needs require a range of support services, and supportive housing allows them to live independently.

ABORIGINAL INDIVIDUALS AND FAMILIES

- More than 28 per cent of off-reserve Aboriginal households are in core housing need compared to 15 per cent for all non-Aboriginal households.
- Aboriginal people are disproportionately represented among those who are homeless.

LOW-INCOME SENIORS AND FAMILIES

- Approximately 64,900 households in British Columbia are unable to find housing that is suitable in size and in good repair without spending 50 per cent or more of their income on rent. Adding to this challenge is the extremely low vacancy rate in many urban areas.

How We Serve British Columbians

Every aspect of BC Housing's business is centred on our clients. To best serve them, we have created relationships with key partners. Below are descriptions of how we do business in partnership.

POLICY PARTNERS

The Office of Housing and Construction Standards, within the Ministry of Forests and Range, is responsible for provincial housing policy, building policy, safety policy and the Residential Tenancy Branch. By working collaboratively, government is able to ensure that housing policy is aligned with programs and services to improve access to safe and stable housing for all British Columbians.

DELIVERY PARTNERS

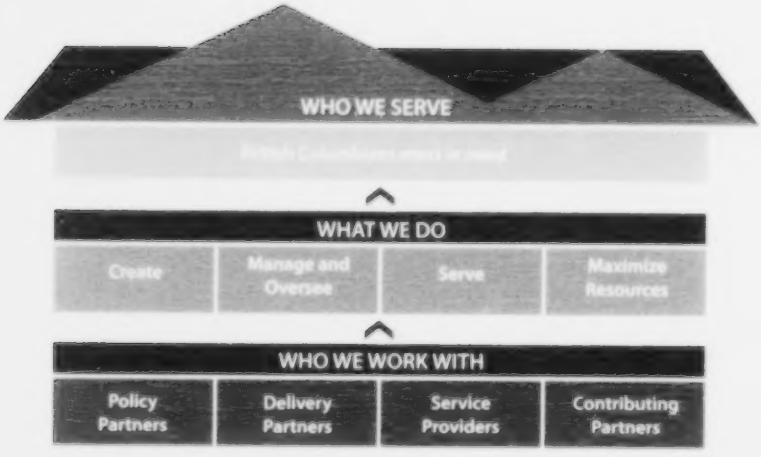
Housing assistance is provided through a number of mechanisms including public, non-profit and co-operative housing, as well as through rent assistance to people living in the private rental market. BC Housing provides financial, administrative and technical support to its delivery partners, in addition to administering long-term operating agreements and the provision of housing subsidies. BC Housing's role is one of stewardship and ensuring accountability.

SERVICE PARTNERS

In responding to the needs of British Columbians, access to housing must often be combined with other support services (e.g. income support, health, education, employment and skills training). BC Housing has engaged in innovative service partnerships that integrate housing and support services. These service partnerships involve other levels of government, health authorities and service providers.

CONTRIBUTING PARTNERS

The investment required to create new housing necessitates a partnership model. No one level of government can do it alone. A public-private partnership model for the development of new housing combines funds from all levels of government and leverages private, non-profit and charitable sources. Municipal governments can contribute through expediting approval processes and offering reduced property taxes, as well as making land available for new housing. Once built, funding for the ongoing delivery of government-subsidized housing comes from a number of different partners including BC Housing, other provincial ministries and the federal government.



Key Relationships

This diagram illustrates BC Housing's relationships with our key partners and how we work together to provide housing options.

Strategic Context

PLANNING CONTEXT AND KEY STRATEGIC ISSUES

Success in meeting our goals, objectives, strategies and measures is influenced by many factors. The following is a summary of internal and external challenges and opportunities that influence BC Housing's strategies and results. A risk-management approach is used to assess challenges and opportunities, and to determine the appropriate strategies for responding.

EXTERNAL FACTORS	CHALLENGES	OPPORTUNITIES AND STRATEGIC RESPONSES
Pressures in the Rental Housing Market	B.C.'s current housing environment adds to the challenges of housing need. Very few rental housing units are being built, and in our urban centres, rents are unaffordable for many people. Additionally, the number of existing rental buildings is diminishing as property owners pursue redevelopment opportunities.	BC Housing purchased additional single room occupancy (SRO) hotels in 2007/08. These buildings were purchased to preserve and upgrade an important source of affordable rental housing stock for people at risk of homelessness. Work is underway to bring the buildings up to an acceptable standard so that people can feel safe and secure in this housing. BC Housing also preserved additional affordable housing stock with the purchase of private rental buildings. In total BC Housing has purchased 30 SRO and rental buildings, protecting and upgrading over 1,400 units of existing affordable housing.
Rising Construction Costs	Construction costs are up by more than 40 per cent over the last five years. The cost drivers include significant increases in the cost of materials and skilled labour shortages, resulting in both increased labour costs and delays in project completion. This puts pressure on the budgets of new projects that are being built.	BC Housing has continued to seek cost-effective solutions by bundling similar projects and pursuing alternative construction forms including modular housing.
Aging Social Housing Portfolio	Many of the buildings that make up the social housing portfolio are aging and their mortgages are beginning to expire. Maintenance and capital-replacement costs will need to be increased for some buildings in order to ensure compliance with current health and safety standards.	There is an opportunity to renovate these buildings to better meet the needs of tenants and/or to accommodate support services. Some developments will benefit from new funding to convert 750 units of social housing to supportive housing, responding to increases in demand for affordable housing with support services.
Under-utilized Land on Housing Sites	Many of the older social housing developments are located on large parcels of land in central locations that could potentially accommodate more housing.	Buildings that occupy under-utilized land are beginning to be redeveloped. Working in partnership with the private and non-profit sectors, these lands can become mixed-income communities with subsidized housing more fully integrated into larger communities. The redevelopment process is underway for British Columbia's first social housing development, Little Mountain. Any proceeds from redevelopment of public housing will be reinvested back into affordable housing. As BC Housing moves forward on redevelopment initiatives, we will ensure that no current tenant will be left without housing assistance.

EXTERNAL FACTORS	CHALLENGES	OPPORTUNITIES AND STRATEGIC RESPONSES
Not-In-My-Back-Yard (NIMBY)	As BC Housing focuses on developing new housing for those most in need, strong opposition has emerged in some cases as a result of fear and uncertainty. This type of opposition, referred to as "Not-In-My-Back-Yard" (NIMBY), creates difficulties in addressing homelessness.	BC Housing works with its partners to ensure that surrounding communities learn more about the developments and that the general public and local governments are able to manage opposition so that consensus can be more easily achieved to move projects forward.
Strong Demand for Affordable Housing	The demand for affordable housing exceeds the supply of resources as indicated by the almost 14,000 applicants currently listed in *The Housing Registry*, BC Housing's database of housing providers and applicants.	Housing resources must be allocated as effectively as possible to ensure that those in the greatest housing need are given priority. BC Housing has initiated strategies to improve access to available housing for individuals and families with complex housing and health needs.
Rising Number and Declining Health of Individuals who are Homeless	The challenge is to break the cycle of homelessness through outreach and supports, such that individuals can successfully move from the street and shelter system into stable housing.	New programs have been introduced to expand shelter operations, outreach programs, transitional and supportive housing solutions as well as homeless rent supplements to break the cycle of homelessness. Harmonizing the housing portfolios and finding administrative efficiencies between housing and shelter programs are key priorities. As part of the Premier's Task Force on Homelessness, Mental Illness and Addictions, BC Housing works with provincial ministries and health authorities to develop permanent, long-term housing and outreach strategies to respond to homelessness.
Labour Supply, Aging Demographics and Internal Capacity	The shortage of capable labour and the potential loss of intellectual capital pose a risk to BC Housing's ability to meet our commitment to excellence in client service, project development and ensuring the quality of our housing portfolio. As well, an aging population is changing the dynamics of attracting skilled people at the same time as many employees are retiring or are becoming eligible to retire. In BC Housing's current workforce, the percentage of employees who are eligible to retire will grow significantly over the next 10 years.	BC Housing is striving to recruit and retain skilled, creative, committed employees. We are ensuring an engaged workforce through our People Strategy. Learning and growth and succession planning initiatives have been put into place to ensure we are well situated to meet our commitments today and in the future.
Enhanced Federal-Provincial Relationship	Participation from the federal government is needed to respond more effectively to growing demand for affordable housing.	The federal government is contributing $106 million to help address short-term pressures in the supply of affordable housing. This funding will flow to BC Housing until 2008/09. The funding will contribute to new housing under the *Independent Living BC* and the *Provincial Homelessness Initiative* programs.

Strategic Context (continued)

EXTERNAL FACTORS	CHALLENGES	OPPORTUNITIES AND STRATEGIC RESPONSES
Aboriginal Capacity Building	The proportion of Aboriginal people who are homeless or in core housing need is higher than the incidence of need in the larger population.	BC Housing is collaborating with the Aboriginal Housing Management Association (AHMA) to work towards the successful transition and management of the federal Aboriginal housing portfolio. BC Housing staff have been working with AHMA to share knowledge and technical expertise. This Aboriginal self-management model for social housing is the first of its kind in Canada.
Sound Social and Environmental Practices	Addressing the problem of climate change is a priority for British Columbia. The B.C. government has set out the challenge to make all government operations carbon neutral by 2010. Government agencies have been called upon to demonstrate best practices and lead the way by corporate example.	BC Housing is committed to reducing its environmental impact and creating healthier homes and workplaces for tenants and employees. Energy-efficiency measures and sustainable practices are employed in our new construction projects, repair and improvements to existing buildings and day-to-day operations. BC Housing has aligned its targets for energy and greenhouse gas emission reduction with those of the Government of British Columbia and is a recognized BC Hydro Power Smart Partner. We are also working to ensure our projects contribute to sustainable community development.
Public-Private Partnerships (P3s)	Public-private partnerships can respond to local housing challenges and create additional housing units without the need for ongoing operating subsidies.	BC Housing has entered into a number of innovative partnership initiatives with municipalities, non-profit societies, the private sector and other housing partners. They are great opportunities for BC Housing to work with communities to move projects forward faster.
Effective Management Strategies	BC Housing and housing providers share a common interest in establishing effective program management strategies that strive for innovation and harmonization.	BC Housing is actively engaged in identifying strategies to streamline and improve program administration, reduce costs and promote sustainability. The Canada-B.C. Social Housing Agreement provides an opportunity to harmonize programs, simplify reporting requirements, reduce administrative burdens and improve program effectiveness. As well, by creating incentives for housing providers to explore new ways of generating revenues or controlling costs, we can help housing providers take some of the pressure off their budgets. With the implementation of a new information technology system, we worked our way through a major business initiative to ensure our administrative practices meet or exceed industry standards.
Sector Sustainability	BC's social housing stock is supported by a large number of housing providers. About 56 per cent of social housing in the province is provided by the non-profit and co-operative housing sector. Almost 50 per cent of these providers are responsible for single housing developments.	BC Housing is working with the BC Non-Profit Housing Association (BCNPHA) to ensure the sector remains robust. BC Housing and BCNPHA share common goals that promote greater resource and information sharing, as well as governance and administrative models to protect non-profit and co-operative housing for the long term.

Report on Performance

This section sets out BC Housing's Report on Performance for 2007/08 based on targets established in the 2007/08 Service Plan. Targets for 2008/09 to 2010/11 contained in the 2008/09 Service Plan are also shown for convenience.

BC Housing's Performance Measurement Framework (PMF) provides strong linkages with government's key strategies. We are focused on ensuring alignment with our business direction, and work to continually strengthen our reporting and measurement framework.

The PMF is structured around four goals derived from our corporate priorities. An overview of our goals, objectives, measures, targets and results is shown on page 18. Measures include indicators of the effectiveness of various programs as well as satisfaction levels. Performance results are presented along with historical results and benchmarked externally where possible.

Summary descriptions of our performance measures are contained in this section, while more detailed information can be found in the appendices. Detailed information regarding changes to goals, objectives and targets is contained in Appendix A: Changes in Reporting. Detailed information regarding data sources, methodology, and benchmarks is contained in Appendix B: Disclosure of Key Reporting Judgements. Both appendices can be found on our website at www.bchousing.org.

BC Housing Performance Overview – 2007/08

CORE BUSINESS AREAS	GOALS	OBJECTIVES	MEASURES
Increased housing options	Respond to gaps in the housing continuum	Increasing housing options	Number of new units/beds created in priority areas
			Number of new households assisted through rent assistance programs
		Adapt existing stock to target resources to vulnerable households	Number of existing units adapted to higher priority needs
Maintaining and administering existing housing	Protect and manage existing housing for the long term	Maintain the quality of existing assets	Percentage of clients reporting satisfaction with the quality and safety of their housing
			Percentage of social housing providers meeting financial and operational standards
		Adequate provisions for future requirements	Ratio of replacement reserve contributions to actual expenditures
Provide client services	Provide access to appropriate housing and services for vulnerable British Columbians	Ease of access to housing	Percentage of new applicants reporting satisfaction with the process
			Percentage of nights where shelters are at full occupancy
		Available housing targeted to vulnerable residents	Percentage of clients belonging to priority groups in subsidized housing
Delivering services cost-effectively	Organizational excellence	Financial and operating success	Controllable administration costs as percentage of program delivery costs
			Per-square-foot construction costs
		High level of employee engagement	Employee engagement index

05/06 RESULTS	06/07 RESULTS	07/08 TARGET	2007/08 RESULTS		08/09 TARGET	09/10 TARGET	10/11 TARGET
1,583	2,472	941	2,437	Target Exceeded	1,405	1,053	199
New Measure	4,394	14,390	7,847	Target Not Achieved	3,000	2,700	2,400
New Measure	500	550	674	Target Achieved	700	850	950
81%	77%	78%	78%	Target Achieved	78%	78%	78%
New Measure	92%	90%	93%	Target Achieved	90%	90%	90%
New Measure	1.52:1	1.51:1	1.40:1	Target Not Achieved	1.39:1	1.31:1	1.30:1
92%	90%	75%	90%	Target Exceeded	75%	75%	75%
New Measure	42%	50% or less	42%	Target Achieved	50% or less	50% or less	50% or less
84%	83%	86%	79%	Target Not Achieved	84%	85%	86%
New Measure	7.5%	10% or less	7.5%	Target Achieved	10% or less	10% or less	10% or less
New Measure	Within 2.72%	Within +-5%	Within 4.73%	Target Achieved	Within +-5%	Within +-5%	Within +-5%
New Measure	Top quartile	Top quartile	Top quartile	Target Achieved	Top quartile	Top quartile	Top quartile

Goal 1 Respond to Gaps in the Housing Continuum

The measures and targets set out in this section report on BC Housing's success in responding to gaps in the housing continuum and in creating an expanded range of choices for British Columbians in greatest need.

The Province is committed to ensuring that B.C.'s residents in greatest need receive priority for assistance. Part of this commitment is creating new units/beds on the supportive end of the housing continuum. For this reason, government has committed significant funding for the creation of new buildings in a cost-effective manner through programs such as *ILBC*, *PHI* and *AHI*.

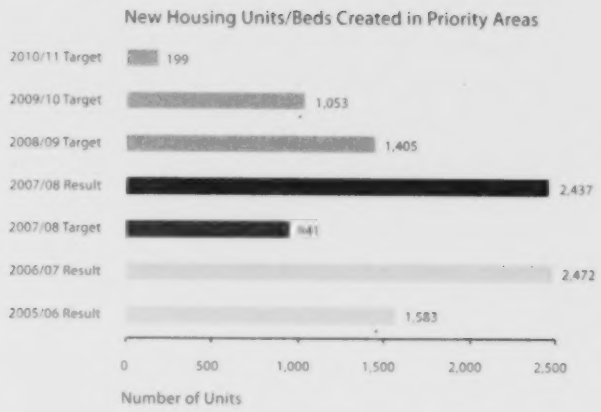
We employ a number of strategies to achieve this goal. They include expanding the supply of existing units through the delivery of targeted housing programs in partnership with other levels of government as well as with key community and private-sector partners. We also adapt existing buildings to target resources to those in greatest need, and provide assistance to low-income seniors and families renting in the private market.

MEASURE: NUMBER OF NEW UNITS/BEDS CREATED IN PRIORITY AREAS

TARGET EXCEEDED

Importance of the Measure

This measure looks at BC Housing's performance with respect to creating new units/beds on the supportive end of the continuum of housing through various housing programs. The *ILBC*, *PHI*, *CPI* and *AHI* programs add new units for priority groups such as frail seniors, Aboriginal households, persons with physical and mental disabilities as well as individuals who are homeless, many of whom are dealing with mental illness, addictions, and other challenges.



Performance Results 2007/08

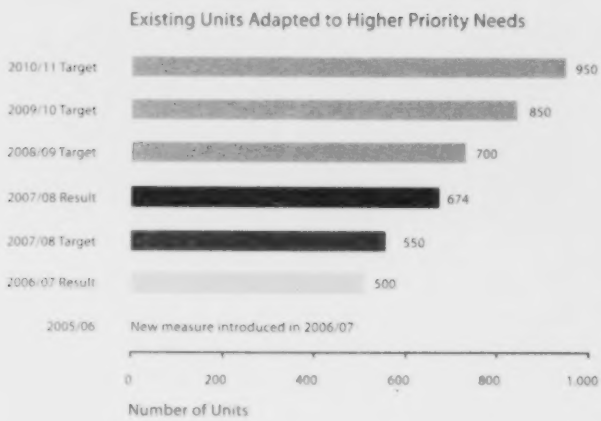
In 2007/08, 2,437 new units were added to the existing inventory of subsidized housing. This include 425 units and 277 rent supplements under *ILBC*, 1,552 units under *PHI* (including the SRO purchases), 103 units under *CPI*, 10 units created under AHI and 5 units built under the *Provincial Housing Program*. There were also 65 shelter beds created. All of these units were added in more than 50 communities across the province as a means of increasing the range of housing options available for vulnerable households. The 2010/11 target of 199 units is based on the completion of units under existing funding programs. The target will be revised as new resources in future budgets may increase.

MEASURE: NUMBER OF EXISTING UNITS ADAPTED TO HIGHER PRIORITY NEEDS

TARGET ACHIEVED

Importance of the Measure

This measure looks at BC Housing's success in ensuring that those most in need receive priority for housing assistance through the conversion, adaptation or re-targeting of existing social housing units.



Performance Results 2007/08

In 2007/08, 674 existing housing units were adapted to better meet the needs of priority groups. Three hundred thirty (330) individuals with a mental illness or alcohol and drug addiction were assisted through the *Health Services Program*. Women with children fleeing abuse were assisted through BC Housing's *Priority Placement Program*. In addition, new partnerships were established with local health authorities across the province, allowing for an additional 93 units to be targeted to individuals with specific housing and support needs. The target for 2007/08 was 550. Establishing new partnerships in the community has been a priority which resulted in a greater than expected number of units be ng adapted.

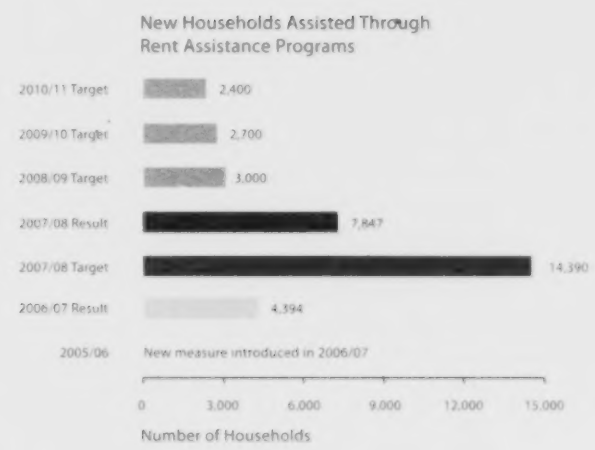
Goal 1 Respond to Gaps in the Housing Continuum (continued)

MEASURE: NUMBER OF NEW HOUSEHOLDS ASSISTED THROUGH RENT ASSISTANCE PROGRAMS

TARGET NOT ACHIEVED

Importance of the Measure

This measure looks at the success of BC Housing's rent assistance programs (*SAFER* and the *Rental Assistance Program*) in improving access of low-income households to affordable rental housing. Rent assistance programs assist families and seniors who do not have enough income to find housing in the private market by helping to bridge the gap between what a household can afford to pay and market rents. Rent assistance programs provide greater housing choices in the private market.



Performance Results 2007/08

A system for tracking and reporting on this measure was put into place in 2006/07. As of March 31, 2008 there were a total of 7,847 new households assisted through *SAFER* and the *Rental Assistance Program*. This includes 4,224 low-income families and 3,623 senior households, which is below the targeted 14,390 new households, primarily due to the lower than anticipated take-up of the *Rental Assistance Program*. As a result, changes to the *Rental Assistance Program* were implemented effective April 2008, to expand the eligibility criteria and achieve higher take-up levels. Over 20,370 households currently receive rental assistance; by the end of 2008/09, it is expected that assistance will be provided to more than 30,000 households. New household assisted targets decline in future years as most eligible families will have been registered in earlier years.

FUTURE DIRECTIONS

BC Housing will continue to target resources to those in the greatest housing need in keeping with the directions set out in the provincial housing strategy, *Housing Matters BC*. This will include targeting resources to ensure that the homeless have access to stable housing with integrated support services, as well as ensuring that those who are vulnerable receive priority for assistance.

In addition to new supported housing, in 2007/08, the Province purchased additional single room occupancy (SRO) hotels and some existing apartment buildings. These buildings were purchased to preserve and upgrade an important source of affordable housing in order to stabilize people, and prevent homelessness.

The demand for supportive housing also continues to increase as our population ages. To enable people to remain living in their communities longer, while addressing this increased demand, a new program was introduced. *Seniors' Supportive Housing* provides $45 million over four years to upgrade/convert up to 750 social housing units to supportive housing units, primarily for lower-income seniors. During 2007/08 196 conversions of these units were completed.

Future strategies will also create new housing to better meet the needs of Aboriginal families and individuals living off reserve. BC Housing will work with the Aboriginal community to complete construction of 292 new units in 10 communities across the province under the Federal Off-Reserve Aboriginal Housing Trust.

Goal 2 Protect and Manage Existing Housing for the Long Term

The existing portfolio of social housing represents an important asset for addressing local housing needs. It is also an important element in achieving the government's vision of building the best system of support for people with disabilities, those with special housing needs, children at risk and seniors. Through maintaining high building and property maintenance standards, we can provide good quality housing as well as protect the taxpayers' investments in social housing. This housing also contributes to a high quality of life for residents and to the social fabric of local communities.

The measures set out in this section focus on our success in delivering value to our clients, our shareholder and local communities across the province through the careful management of existing resources. This is accomplished through various strategies such as working with the non-profit and co-operative housing sector to ensure that key financial and operating standards are met, as well as ensuring that adequate provisions are in place for meeting future building requirements. Client feedback also plays an important role in providing the assurance that existing management practices are achieving positive results.

Goal 2 Protect and Manage Existing Housing for the Long Term (continued)

MEASURE: PERCENTAGE OF CLIENTS REPORTING SATISFACTION WITH THE QUALITY AND SAFETY OF THEIR HOUSING

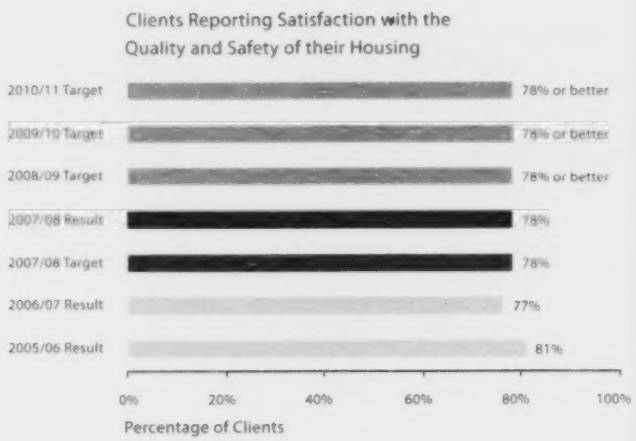
TARGET ACHIEVED

Importance of the Measure

Feedback from tenants living in public housing is obtained through an annual survey. The results help us to determine whether tenants are satisfied with their housing and receiving the services and support they need. Year-over-year results are analyzed across developments and client groups, thereby helping to provide important insight that can be used to strengthen and improve the services we provide.

Performance Results 2007/08

In 2007/08, 78% of tenants living in housing managed by BC Housing reported that they were satisfied or very satisfied with their overall housing situation. The results are based on the responses received to the question, "How satisfied are you with your overall housing situation?" which is included as part of an annual survey. Approximately 3,340 individuals responded to the survey in 2007/08, representing an overall response rate of 46%.



MEASURE: PERCENTAGE OF SOCIAL HOUSING PROVIDERS MEETING FINANCIAL AND OPERATIONAL STANDARDS

TARGET ACHIEVED

Importance of the Measure

This measure ensures social housing is well-managed, well-maintained, and protected for the long term through financial and operational reviews. The operational review process is based upon site and building audits designed to assess housing provider performance in the following key areas: maintenance and building inspections; financial management; resident management; information and records management; and human resource management. A score is assigned based on the assessment and appropriate follow-up actions are taken.

Performance Results 2007/08

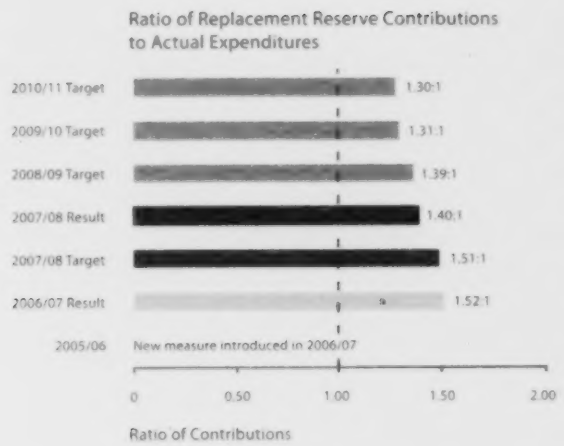
The high target provides the assurance that the existing stock is well-managed and well-maintained and that problems are being addressed. In 2007/08, 93% of housing providers were meeting an acceptable standard. Where standards are not being met, a management team is put in place to assist the individual housing providers.

MEASURE: RATIO OF REPLACEMENT RESERVE CONTRIBUTIONS TO ACTUAL EXPENDITURES

TARGET NOT ACHIEVED

Importance of the Measure

A replacement reserve is money set aside to refurbish or replace building components (such as roofs and appliances) that wear out over the life of a building. While the ultimate test is whether sufficient funds are available when the refurbishment is needed, an important interim test is whether sufficient money is set aside to cover a building's expected expenses over its lifetime.



The reserve contribution/expenditure ratio changes with the age of the buildings. The annual contribution stays the same, based on a life costing model, but the older the building, the more expenditure is required to maintain it. Hence, in the early life of a building, the ratio is high because contributions exceed expenditures. Similarly, as the building ages, the ratio falls as surplus funds are drawn down to meet the higher costs of an older building. The targeted ratio of 1.51:1 for 2007/08 means that for every $1.51 contributed to the Replacement Reserve, $1.00 will be spent on maintenance.

Performance Results 2007/08

For 2007/08, the ratio of contributions is equal to 1.40:1. Although this ratio is appropriate for the age and quality of the non-profit portfolio, it is lower than the target of 1.51:1. The lower ratio is partly due to the integration of the older federal social housing portfolio into the provincial portfolio. In addition, housing providers were encouraged in using their replacement reserves to undertake building envelope repairs, resulting in lower replacement reserves.

Under the current formula, annual contributions to individual reserve funds are greater than the expenditures and the reserve balances will continue to grow. Over time, it is expected that the ratio will continue to fall and in some cases even drop below one as housing providers draw down their reserves in order to meet the higher costs of maintaining older housing stock.

FUTURE DIRECTIONS

Existing building and unit audits, as well as third party studies, suggest that the current condition of our social housing buildings is adequate. As the portfolio ages, redevelopment, regeneration and retrofit initiatives may be required to optimize the use of these assets to better serve the needs of tenants.

The transfer of the administrative responsibility for the federal social housing portfolio in 2006/07 continues to provide opportunities for the harmonization of existing programs, and efforts will be made to generate efficiencies and create additional capacity at key points along the housing continuum.

Over the longer term, BC Housing will continue to explore cost-effective and client focused strategies that will not only add to the existing inventory of units, but also continue to preserve and maintain the existing stock over the long term.

Goal 3 Provide Access to Appropriate Housing and Services for Vulnerable British Columbians

This goal is about making a difference in the lives of families and individuals in need by ensuring that limited housing resources are used as effectively as possible. The most acute housing need is found among low-income households facing a combination of challenges. Access to stable housing is important in enabling vulnerable families and individuals to move toward self-reliance, independence and opportunity.

The existing inventory of subsidized housing plays a critical role in ensuring that vulnerable British Columbians have access to the services and supports that they need. From emergency shelters to longer-term, supported living, BC Housing is committed to supporting and assisting individuals and families move toward greater independence.

The measures under this goal focus on two key objectives: ease of access to housing, and ensuring that available housing resources are targeted to those in greatest need. This includes ensuring that individuals or households with special housing needs will be given priority access to subsidized housing. To accomplish this, we are employing strategies to better understand: i) applicant and tenant needs as they relate to health and social supports through the Applicant Eligibility Review, ii) physical building characteristics needed to better match applicants to appropriate units, and iii) the best use for each social housing development with respect to the level of support services available to tenants.

MEASURE: PERCENTAGE OF NEW APPLICANTS REPORTING SATISFACTION WITH THE PROCESS

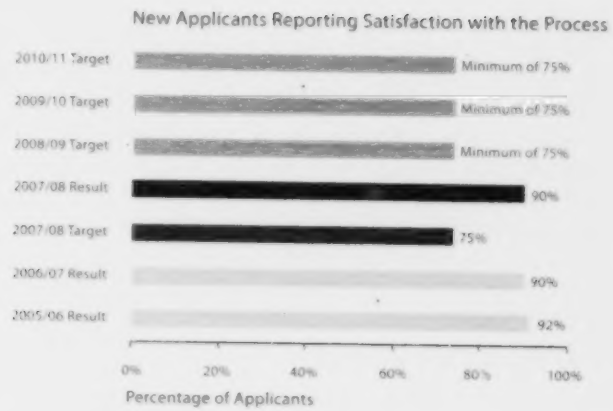
TARGET EXCEEDED

Importance of the Measure

This measure allows BC Housing to view our success from an applicant perspective and enables us to assess the degree to which applicants are receiving the information they need when applying for housing assistance. It is an important customer feedback mechanism designed to strengthen and improve our business processes.

Performance Results 2007/08

This measure reports on the percentage of applicants indicating they are either satisfied or very satisfied with the application process including the information they received and the assistance provided through BC Housing. In 2007/08, 90% of applicants were satisfied with the process, exceeding the target.



Looking ahead, we are considering adjustments to this measure in consideration of the significant difference between the target and actual results. Results will be monitored and alternative approaches considered including possible revisions to the survey methodology and/or target adjustments.

MEASURE: PERCENTAGE OF NIGHTS WHERE SHELTERS ARE AT FULL OCCUPANCY

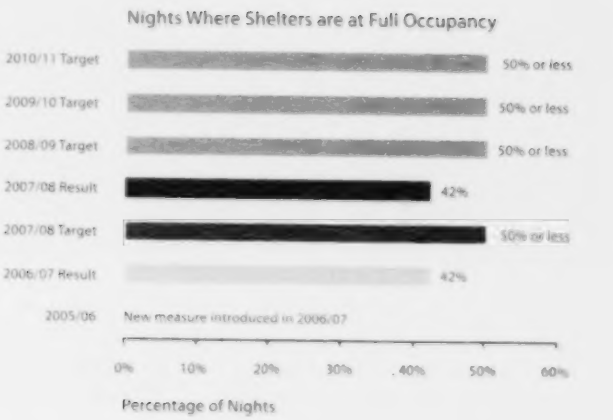
TARGET ACHIEVED

Importance of the Measure

This measure looks at whether we are achieving an optimal level of occupancy within emergency shelters while at the same time providing those in immediate emergency housing need with access to the services and supports that they require. Emergency shelters are often an important point of access or gateway from temporary shelter to a point further along the housing continuum. This measure reports on the capacity of the emergency shelter system and the ability of those who are homeless to access one of the 2,428 shelter beds under the province's *Emergency Shelter Program*.

Performance Results 2007/08

The number of nights where shelters were at full capacity was 42% in 2007/08. Shelter space should be well used (i.e. high occupancy rate over the year) but minimize instances where they are at full capacity and must turn people away.



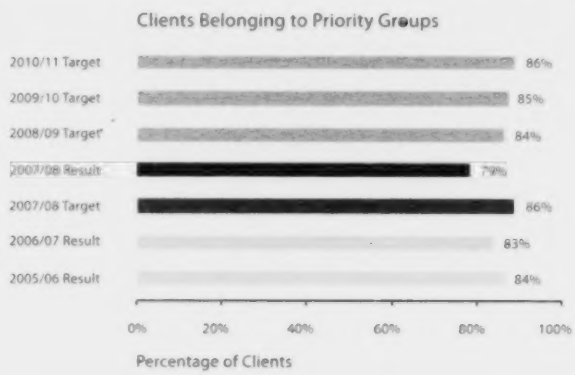
Goal 3 Provide Access to Appropriate Housing and Services for Vulnerable British Columbians (continued)

MEASURE: PERCENTAGE OF CLIENTS BELONGING TO PRIORITY GROUPS IN SUBSIDIZED HOUSING

TARGET NOT ACHIEVED

Importance of the Measure

In keeping with directions set out in the provincial housing strategy *Housing Matters BC*, this measure allows us to define our success in ensuring that those in greatest need receive priority assistance for housing. For the purposes of this measure, low-income or frail seniors, persons with physical or mental disabilities, those with mental illness, women and children who have experienced domestic violence, those facing alcohol and drug addiction challenges, Aboriginal families and individuals, and those who are homeless or at risk of homelessness are considered to be among those in greatest housing need.



Performance Results 2007/08

As of March 31, 2008, 79% of all households receiving housing assistance were within one of the identified priority groups, which was less than the target of 86%. However, the number of new subsidized housing units for priority groups increased by 2,437 units (4%) in 2007/08 as a result of new units delivered through *PHI*, *ILBC* and *AHI*, and through the adaptation of existing units.

This increase in new priority group units is not reflected in the overall percentage for two reasons. First, the total unit count was downwardly adjusted as a result of a data verification process in 2007/08, primarily within the federal social housing portfolio that was transferred to the province. Some priority group units were double counted or incorrectly categorized. The verification and correction process resulted in an overall decrease in percentage of clients belonging to priority groups by just over 1%.

The second reason the actual unit increase was not reflected in the overall percentage relates to the inclusion of the *Rental Assistance Program* and *SAFER*. This has been identified as a flaw in the original methodology as these are private market units targeted to low-income individuals not necessarily in need of other supports. As such, it was determined that both programs will be removed from this measure in the 2008/09 Service Plan. Performance of these programs is captured in a separate measure as part of Goal 1 (see page 22). For 2007/08 however, the effect of including the family *Rental Assistance Program* was an increase the total universe of housing by 4,766. If the *Rental Assistance Program* had been excluded from this measure, our result would have been 84%.

FUTURE DIRECTIONS

Ensuring that those in greatest need have access to housing and support services will continue to be a priority as key initiatives have been put into place to enable BC Housing to better serve priority groups in the public housing stock.

Recognizing that access to safe and affordable housing is a critical step in helping those who are homeless, the Shelter Capacity and Program Review was completed in 2007. In addition, the success of the *Homeless Outreach Program* secured more resources to enhance shelter capacity and expand and enhance the outreach program. These services help address homelessness and to ensure that individuals who are homeless gain access to the services and supports that they need to change their situation. Implementing these strategies to break the cycle of homelessness will represent an important area of focus going forward. A new measure to monitor success in this area will be developed in 2008/09.

Goal 4 Organizational Excellence

Providing cost-effective solutions and value for money is central to BC Housing's success in building and maintaining a sustainable housing system.

The measures set out in this section are about ensuring that we deliver the best possible services in a cost-effective and competent manner. This includes continuing to identify organizational and operational efficiencies, as well as ensuring that we have the appropriate structures and processes in place to control costs and manage risks. The goal of organizational excellence also includes BC Housing's role in providing environmental leadership in the housing sector by setting targets to reduce greenhouse gas emissions, and ensuring our projects contribute to sustainable community development.

Our strategies for organizational excellence build on the skills, energy, talent and dedication of the staff who work at BC Housing. We will foster a culture of innovation and learning by working to build and maintain a high level of employee engagement. BC Housing has made significant investments in putting an effective "People Strategy" in place across the Commission. The implementation of this strategy plays an important role in our success in leadership development, growth and learning, employee wellness and succession planning.

Goal 4 Organizational Excellence (continued)

MEASURE: CONTROLLABLE ADMINISTRATION COSTS AS A PERCENTAGE OF PROGRAM DELIVERY COSTS

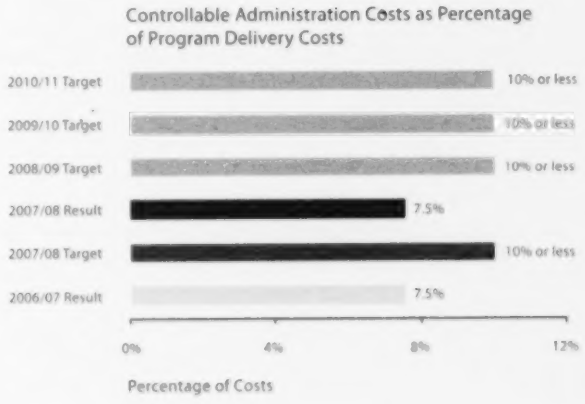
TARGET ACHIEVED

Importance of the Measure

This is a standard financial measure that assesses the efficiency of BC Housing's management practices by comparing the percentage of controllable administration costs to program delivery costs.

Performance Results 2007/08

A target of 10% was set to ensure that BC Housing maintains a high level of performance in controlling administration costs. A benchmarking study completed in 2006/07 showed that BC Housing had one of the lowest cost profiles across all organizations involved in the study at 7.5%. The results for 2007/08 indicate that BC Housing continues to achieve a high level of performance with 7.5% of administration costs as a per cent of program delivery costs. The results are benchmarked against the performance of housing providers in other jurisdictions.



MEASURE: PER-SQUARE-FOOT CONSTRUCTION COSTS

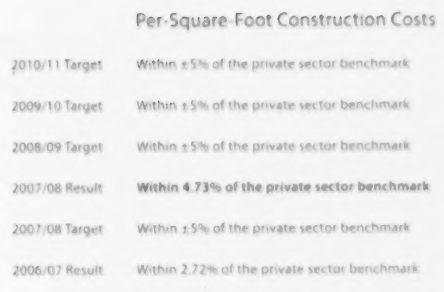
TARGET ACHIEVED

Importance of the Measure

This measure benchmarks the per-square-foot construction cost of new housing developments with comparable developments in the private sector. This is an important measure of the cost-effectiveness of our development practices within the broader residential construction industry.

Performance Results 2007/08

The results for 2007/08 compared a sample of seven non-profit developments with ten private market developments, as well as industry data. This data showed that BC Housing's per square foot construction costs, which averaged $151.29 per square foot, were within 4.73% of the costs reflected in industry data. This result shows that BC Housing is achieving costs that are comparable with the market and demonstrate value-for-money. This is an important measure as there is a significant level of volatility in the current housing construction industry with rising costs in materials, as well as a shortage of skilled labour, having an impact on results.


Per-Square-Foot Construction Costs
2010/11 Target
Within ±5% of the private sector benchmark
2009/10 Target
Within ±5% of the private sector benchmark
2008/09 Target
Within ±5% of the private sector benchmark
2007/08 Result
Within 4.73% of the private sector benchmark
2007/08 Target
Within ±5% of the private sector benchmark
2006/07 Result
Within 2.72% of the private sector benchmark

MEASURE: EMPLOYEE ENGAGEMENT INDEX

TARGET ACHIEVED

Importance of the Measure

BC Housing recognizes the critical role that its employees play in its organizational success. Employee engagement is a productivity indicator, based on employee satisfaction and motivation. A focus on employee engagement fosters an environment of greater creativity, innovation, organizational excellence and customer service. A significant contributor to an engaged workforce is access to leadership, learning and growth opportunities, which serve to meet business objectives as well as the personal aspirations of employees.

Employee Engagement Index	
2010/11 Target	Top quartile of benchmark employers
2009/10 Target	Top quartile of benchmark employers
2008/09 Target	Top quartile of benchmark employers
2007/08 Result	**BC Housing Top Quartile of benchmark employers**
2007/08 Target	Top quartile of benchmark employers
2006/07 Result	BC Housing Top Quartile of benchmark employers
2005/06 Result	BC Housing Top Quartile of benchmark employers

The measure is based on an annual survey that gathers feedback from staff on different aspects of their work environment. The survey is designed to gauge the extent to which BC Housing has been successful in building a culture of employee engagement and to identify opportunities for improvement. Results are benchmarked with other employers through the use of standard industry survey instruments.

Performance Results 2007/08

In January 2008, 72% of staff participated in a survey, up 5% over last year, and the results placed BC Housing in the top quartile of comparable employers. It is clear that employees are engaged, and the results of the 10 benchmark questions improved by 4% over the previous year. Results overall were positive: over 80% of respondents feel they understand the goals and objectives of BC Housing, and would recommend BC Housing as a good place to work.

The target is set to ensure that employee engagement continues to be an important focus within the organization and is supported by the development and implementation of a three-year People Strategy.

FUTURE DIRECTIONS

BC Housing's focus on customer service, organizational excellence and innovation enables us to effectively deliver on our core business areas and key goals, and ultimately to support the provincial housing strategy *Housing Matters BC*. Our continued focus on the multi-year People Strategy is a critical element in realizing this vision.

In 2008/09 BC Housing will begin reporting on reduction in greenhouse gas emissions from activities in offices and public housing buildings, demonstrating our vision of becoming a leader in environmental sustainability in the social housing sector.

Looking for new and better ways to use existing housing buildings, reduce greenhouse gas emissions, control costs and streamline and improve program administration are all important parts of this goal. Central to these strategies are innovations in research and information technology that support continuous business improvement.

Management Discussion and Analysis

Management Discussion and Analysis

OPERATIONAL OVERVIEW – 2007/08 ACTUALS

FUNDING	PROGRAM EXPENDITURES	SERVICE ALLOCATION	HOUSEHOLDS SERVED
Provincial Government $319.9 M	Emergency Shelter and Housing for the Homeless $120.3 M	Emergency Shelter and Housing for the Homeless 6,258 units	Homeless 6,258 households
Federal Government $141.3 M	Transitional Supported and Assisted Living $97.0 M	Transitional Supported and Assisted Living 17,184 units	Special Needs 5,866 households
Tenant Rent $35.7 M	Independent Social Housing $271.9 M	Independent Social Housing 41,645 units	Aboriginal 3,584 households
Provincial Partnering Ministries $31.8 M	Rent Assistance in the Private Market $50.4 M	Rent Assistance in the Private Market 20,370 units	Seniors 47,888 households
Other $11.1 M			Low-Income Families 21,861 households
Total Revenues $539.8 M	**Total Expenditures $539.6 M**	**Total Units 85,457**	**Total Households Served 85,457**

2007/08 was another record setting year for BC Housing. More households were served and more resources were invested in affordable housing programs than ever before in the 40 year history of BC Housing. The Commission's revenues increased by 8 per cent ($42 million) and improved its ability to provide affordable, safe, quality housing to B.C. residents most in need. This increase in resources was largely comprised of:

- $58 million to offset the cost of construction of new units built under the *Provincial Homeless Initiative*, the *Aboriginal Housing Initiative*, and the *Independent Living BC program*;
- $32 million to acquire single room occupancy hotels and apartment buildings;
- $28 million for enhanced emergency shelters, homeless outreach and the impacts of inflation;
- $14 million for rent assistance for low income working families under the *Rental Assistance Program*;
- $6 million in higher tenant rent revenue;
- $6 million for the conversion of independent social housing to supportive housing under the *Seniors Supportive Housing* program; and
- $5 million for the administration of federal social housing under the Social Housing Agreement.

Offsetting the above increases were the one-time impacts of the prior year contributions for single room occupancy hotels and apartment building purchases ($51 million) and federal housing trust funds ($56 million).

Management Discussion and Analysis (continued)

SUMMARY OF FINANCIAL RESULTS AND BUDGET PROJECTIONS – 2003/04 TO 2010/11

(in thousands of dollars)

	2007/08 ACTUAL	2008/09 FORECAST	2009/10 FORECAST	2010/11 FORECAST
	351,690	383,030	319,719	319,924
	141,270	139,616	139,137	137,851
**	46,802	40,974	41,209	42,458
	539,762	563,620	500,565	500,233
	384,003	357,304	303,947	307,526
	59,752	83,817	75,049	74,183
	60,211	78,851	77,901	74,664
	14,743	43,648	43,668	43,860
	539,629	563,620	500,565	500,233
	133			
	1,382			

* In 2007/08 this includes funding of $319.9 million provided directly by the provincial government to BC Housing, plus $31.8 million provincial funding provided through other provincial partnering ministries.

** *This includes tenant rent and revenue from other sources.*

In 2007/08, total provincial spending through BC Housing was $352 million, an increase of 10 per cent per cent over the $32+9 million spent in 2006/07. This increase was targeted at our residents most in need by expanding the supply of provincially administered housing serving frail seniors, homeless at risk families and individuals, and through rent assistance for low income working families.

ASSETS AND LIABILITIES

Total assets were largely unchanged in 2007/08. An increase in cash and short term investments (up $14 million) offset an equal decline in the amount due from the Canada Mortgage and Housing Corporation. At year end, BC Housing held $107 million in cash and short term investments (up 15 per cent compared to the prior year). In addition, prepaid expenses and housing subsidies increased by about $4 million over the prior year. Prepaid subsidies were higher because BC Housing now funds more housing projects with the devolution of the federal social housing projects to BC Housing last year. Construction loans to housing projects declined by about $3 million compared to the prior year. This decline is a normal fluctuation in the amount of construction underway at the year end date.

BC Housing enjoyed a positive cash position throughout the year. This allowed BC Housing to keep borrowings from the Provincial Treasury at a minimum and reduce interest expense by 98 per cent (down by $2.2 million compared to the prior year). As happened last year, BC Housing's cash position benefited by a number of transactions in the last few months of the fiscal year:

- $20 million was received from the Ministry of Employment and Income Assistance for the purchase of Single Room Occupancy hotels and apartment buildings by the PRHC; and
- $26 million was received from the Province immediately before year end for 2008/09 first month expenditures occurring in April 2008.

Accounts payable and accrued liabilities increased by 41 per cent (about $10 million) over the prior year. This increase is reflective of the higher volume of activity to repair and maintain the public housing stock and to operate housing programs. Grants received in advance of construction increased by 96 per cent ($29 million) as a result of the receipt of federal trust funds for new housing to be built under the *Provincial Homelessness Initiative* and the *Aboriginal Housing Initiative*.

The amount due to PRHC declined by 39 per cent ($26 million) because the purchases of hotels and apartment buildings was smaller this year than last year.

PRHC's Statement of Financial Position shows the related impact of the building purchases. PRHC's investment in properties has increased by $82 million for the hotel and apartment building purchases. Overall, PRHC's total assets increased by about 10 per cent or $56 million when compared to the prior year.

PRHC's Statement of Financial Position was changed this year to replace shareholder's equity with net assets. Generally accepted accounting principles prefer the presentation of net assets for non-profit organizations. Net assets are considered more meaningful for the reader in describing the resources the Corporation has available for carrying out its activities in the future.

REVENUES

BC Housing received total revenues of $540 million in 2007/08, an increase of 8 per cent over the prior year. The chart on page 36 shows the change in revenue over the last ten years. Provincial contributions have almost tripled over this period which is mostly attributable to the construction of an average of almost 1,500 new affordable housing units each year. Federal contributions have almost doubled over the last ten years largely because of the devolution of federal social housing administration, building envelope repair costs and the impact of inflation on operating costs.

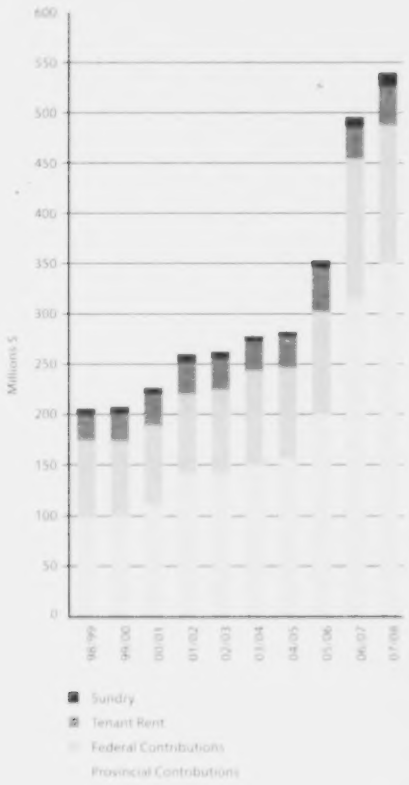
Provincial contributions increased by $33 million in 2007/08 or 10 per cent more than the budget and the prior year. This increase was the result of the transfer of funding for the purchase of hotels and apartment buildings, the cost of construction of new units under housing programs, and the conversion of social housing to supportive housing for seniors.

Management Discussion and Analysis (continued)

Through CMHC, total contributions from federal subsidies for 2007/08 were $141 million, an increase of 4 per cent over the prior year and about $1 million above budget. The increase was the result of greater building envelope repair activity. The above budget result was possible because BC Housing was able to access funds set aside in the prior year under the Social Housing Agreement.

Tenant rent revenue increased by $6 million (20 per cent above budget and the prior year). The increase resulted from the recently added hotel and apartment buildings as well as from the $50/month increase in basic shelter supplement for income assistance recipients. Sundry revenue declined by 16 per cent over the prior year largely as a result of lower investment returns on short term investments.

Revenue - 1998/99 to 2007/08



PROGRAM EXPENDITURES

Total expenditures for 2007/08 were $540 million, an increase of 8 per cent over the prior year and budget. The $42 million increase was primarily due to the construction of new affordable housing under housing programs, the acquisition of hotels and apartments, the conversion of social housing to supportive housing for seniors and the transfer of administration of devolved federal social housing under the Social Housing Agreement. Total expenditures above budget were possible as a result of contributions from the Ministry of Employment and Income Assistance for hotel and apartment purchases and contributions from the Province for the construction and conversion of social housing.

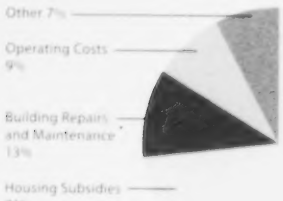
Subsidy payments to non-profit and co-op housing providers and to individuals comprise 71 per cent of all costs and continue to be the largest component of BC Housing's budget. Total subsidies and rental assistance payments to individuals increased by 6 per cent over the prior year. This increase was the result of newly completed non-profit housing projects, improvements made to the *Rental Assistance Program* and more families qualifying for rental assistance.

The chart on page 37 shows BC Housing's expenditures over the past ten years. Total expenditures have increased about two and a half times. Housing subsidy payments to non-profit and cooperative housing providers and to individuals have almost tripled, rising from $129 million in 1998/99 to $382 million in 2007/08. During this time period, BC Housing developed almost 15,000 new affordable housing units. As well, enhancements to the *SAFER* and the *Rental Assistance Program* have increased the average benefits received and expanded the number of people qualifying for the programs. The introduction of the *Rental Assistance Program* for low income working families in October 2006 heralded a new social program to improve the lives and housing conditions of the working poor and their children. In the first seventeen months, this program has already helped about 4,800 families.

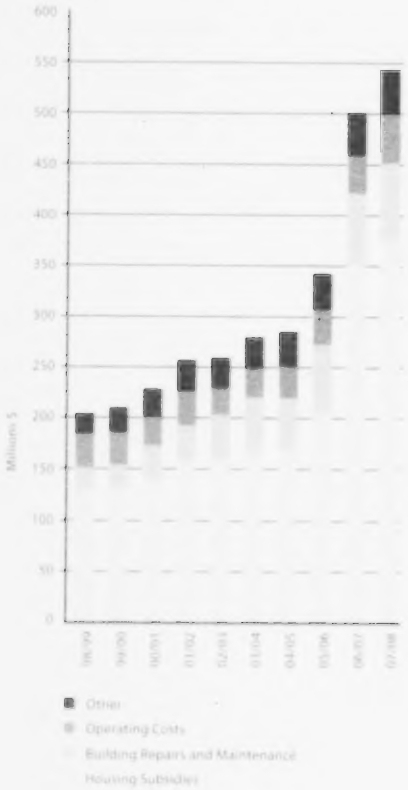
The chart below also shows that building repair and maintenance costs have nearly quadrupled over the decade, rising from $19 million in 1998/99 to $69 million in 2007/08. BC Housing's expenditures for modernization and improvement ensure that the existing housing stock is protected and managed for the long term. In 2007/08, $34 million was spent on modernization and improvement (up 42 per cent over the prior year), $25 million was spent on building envelope repairs (down 6 per cent from the prior year) and $10 million was spent on minor maintenance (up 16 per cent over the prior year).

BC Housing's Statement of Operations shows that operating expenses increased by 60 per cent this year, rising from $14 million last year to $23 million this year. This increase is attributable to higher spending on information technology, advertising of new programs, and consulting costs necessary to manage the expansion of programs and services in recent years as well as the transfer of federal housing stock under the Social Housing Agreement. Building mortgage costs, utility costs and property taxes all increased due to the acquisition of hotel and apartment buildings.

Expenditures – Actual 2007/08 ($540 M)



Expenditures – 1998/99 to 2007/08



Management Discussion and Analysis (continued)

MANAGING RISK

BC Housing uses an enterprise-wide risk-management approach to identify and manage risks. All key operating departments determine risks, challenges, and opportunities. Risk-management strategies are then employed that balance current and future market and budget pressures with timing and implementation strategies. BC Housing's executive meets quarterly to review the enterprise-wide risk registry and ensure that appropriate risk treatment plans are in place. The Audit and Risk Management Committee of the Board approves annually a risk-based master audit plan for the Commission and meets quarterly to review the results of all internal audits completed since the last meeting.

KEY RISKS	ISSUE/CONSEQUENCES	RESULTS DURING 2006/07
Mortgage / interest rate increase	71% of BC Housing's budget is paid in subsidies to housing providers with mortgage principal and interest payments forming more than 60% of the housing providers' operating costs. The mortgages administered by BC Housing now total about $3 billion. A 1% increase above the budgeted mortgage rate increases housing subsidies by about $4.8 million in 2009/10.	BC Housing continued to bulk tender mortgages during 2007/08. However, turmoil in the financial markets resulted in significant increases in the rates bid (as compared to the average 50 basis points over the benchmark government of Canada bond that BC Housing achieved in the past). Consequently, BC Housing has chosen to hold mortgages internally while the financial markets stabilize. As well, BC Housing has solicited proposals from lenders for the exclusive right to meet all of BC Housing's mortgage needs for an entire year.
Construction cost increases	BC Housing had about $350 million in construction activity under way this fiscal year. Market influences including material costs, availability of skilled labour and insurance costs have caused construction prices to rise between 1% and 2% per month. A $10,000 per-unit construction cost increase equals annual provincial subsidy requirements of $0.9 million in 2009/10.	BC Housing has publicly tendered construction projects in 2007/08. Cost increases were limited by bundling similar projects, establishing eligibility rosters and pursuing alternative construction forms including modular construction.
Capital asset repairs	As the public housing stock ages, it requires significant repairs to maintain health, safety and liveability.	BC Housing has developed a long term plan to address the on-going maintenance requirements and also pursue opportunities to complete energy efficiency upgrades. As well, BC Housing has identified public housing sites with redevelopment potential. Pending redevelopment capital expenditures are limited to health and safety issues only. With respect to Little Mountain, a redevelopment plan has been announced that will see the demolition of post WWII era housing and the replacement of the 224 units with an equal number a new units.

KEY RISKS	ISSUE/CONSEQUENCES	RESULTS DURING 2006/07
Business continuity	BC Housing is heavily reliant on technology. A failure of these system through a natural disaster or otherwise would inhibit the delivery of our programs and services. As well, a large number of British Columbia's most vulnerable residents and the housing providers that serve them depend upon BC Housing for funding, service and housing. A major business interruption caused by a disaster, a pandemic or otherwise could cause severe hardship if BC Housing cannot produce payments and provide services.	During the year BC Housing suffered a flood affecting two floors at its home office over one weekend. Staff implemented the business continuity plan and were able have all critical functions up and running by the following Monday. This real world test of the business continuity plan together with an earlier table top exercise by senior managers helps to ensure that BC Housing is ready to respond to disasters. The business continuity plan includes first alert procedures for a major event or disaster, critical function procedures, information technology disaster plan, pandemic plan, earthquake preparedness and response plan and BC Emergency response management system.
Higher inflation	As a large funder of residential buildings, BC Housing is exposed to increases in utility and other operating costs. A 1% increase in CPI higher than budgeted increases expenses by $0.5 million.	During the year, BC Housing used bulk purchasing for insurance, natural gas, and appliances to combat inflation. As well, BC Housing continued to pursue energy efficiency upgrades to the public housing stock.
Labour relations	BC Housing relies on its unionized workforce to provide services. A labour disruption would severely impact BC Housing's ability to provide services to tenants, applicants and housing providers. As well, due to the robust economy and low rate of unemployment, it is increasingly difficult to hire and retain qualified staff.	BC Housing continued to implement its People Strategy (a multi-year Human Resources Plan) and also rolled-out a leadership development program for senior managers. With a focus on recruiting and retaining skilled, creative and committed employees, the People Strategy fosters a good working environment; builds a culture of employee engagement; and ensures training and advancement opportunities are in place. By focusing on the leadership skills of managers in the organization, BC Housing ensures that we use our financial and human resources as productively as possible.

Management Discussion and Analysis (continued)

FUTURE OUTLOOK

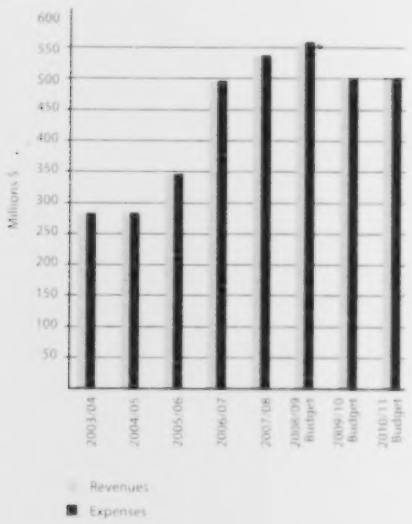
During this past decade, funding partners demonstrated their commitment to continue to deliver programs that provide affordable housing and remain committed to do so in the future. BC Housing's total approved budget of $563 million in 2008/09 is the largest housing budget in the province's history. Total provincial spending in 2008/09 is budgeted at $383 million to cover *SAFER*, the *Rental Assistance Program*, *ILBC*, *PHI*, and the management and maintenance of the public housing stock. Included in the 2008/09 budget is another $80 million in one time grants to be spent on the construction and conversion of social housing.

In 2009/10, the total provincial spending will dip with a reduction in the level of the one time grants (a further $10 million in one time grants is included in the budget) and then, in future years, provincial spending will increase as housing projects under the *ILBC*, *PHI* and *Seniors' Supportive Housing* programs are completed and begin to require operating subsidies.

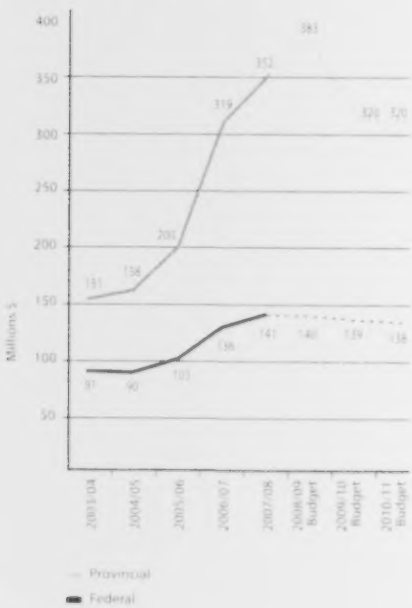
Federal contributions of $140 million in 2008/09 are expected as a result of the Social Housing Agreement between BC Housing and CMHC. This agreement transferred administrative responsibility for the federal housing portfolio in British Columbia to BC Housing. In future years, as federal housing projects reach the end of their operating agreements, federal contributions will gradually decline.

Through many cost-saving, sustainability initiatives and program delivery models, BC Housing has developed strategies to manage expenditure growth, contain costs, and maximize the effectiveness of our programs. Strengthened partnerships for new developments and streamlined program delivery, including subsidy administration, along with continued reductions in administration expenses and overhead, and risk management strategies, will ensure BC Housing continues to meet its mandate in a cost-effective manner.

Revenues and Expenses



Contributions



Financial Statements

British Columbia Housing Management Commission

Financial Statements March 31, 2008

Provincial Rental Housing Corporation

Financial Statements March 31, 2008

British Columbia Housing Management Commission

Financial Statements March 31, 2008

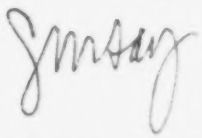
Statement of Management Responsibility

The financial statements of the British Columbia Housing Management Commission (the Commission) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 15, 2008. The financial statements have also been reviewed by the Audit and Risk Management Committee and approved by the Board of Commissioners.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Commission's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Commissioners, through the Audit and Risk Management Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit and Risk Management Committee comprised of a director who is not an employee, meets regularly with the external auditors, the internal auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Commissions. The Audit and Risk Management Committee also recommends the appointment of external auditors to the Board of Commissioners. The external auditors have full and open access to the Audit and Risk Management Committee, with and without the presence of management.



Shayne Ramsay
Chief Executive Officer

Dan Maxwell
Vice President of Corporate Services and Chief Financial Officer

May 15, 2008

Auditors' Report

To the Board of Commissioners of
British Columbia Housing Management Commission

We have audited the Statement of Financial Position of British Columbia Housing Management Commission as at March 31, 2008 and the Statement of Operations and Cash Flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of British Columbia Housing Management Commission as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, British Columbia
May 2, 2008

BDO Dunwoody LLP

BDO Dunwoody LLP
Chartered Accountants & Advisors
600 Cathedral Place 925 West Georgia Street
Vancouver, British Columbia
V6C 3L2

Statement of Financial Position

British Columbia Housing Management Commission

As at March 31	2008 ($000's)	2007 ($000's)
ASSETS		
Current		
Cash	$ 6,883	$ 29,811
Short term investments	99,924	62,785
Receivables	14,267	14,043
Prepaid expenses and housing subsidies	15,990	12,075
Due from Province of British Columbia	1,238	258
Due from Canada Mortgage and Housing Corporation	7,507	21,789
Current portion of mortgages receivable (Note 4)	469	75
Construction loans to housing projects (Note 3)	79,529	82,728
	225,807	223,564
Mortgages receivable (Note 4)	4,621	4,804
Proposal development advances (Note 5)	168	428
Capital assets (Note 6)	7,584	6,330
	$ 238,180	$ 235,126
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 33,564	$ 23,778
Deferred revenue (Note 7)	33,672	35,796
Due to Provincial Rental Housing Corporation (Note 8)	41,772	68,241
Tenants' prepaid rent	650	432
Due to Provincial Treasury	1,000	10,028
Society funds held on deposit (Note 9)	21,009	19,590
Grants received in advance of construction (Note 10)	81,056	51,723
	212,723	209,588
Social Housing Agreement Reserves (Note 11)	24,075	24,289
	236,798	233,877
Net assets (Note 12)	1,382	1,249
	$ 238,180	$ 235,126

Commitments (Note 14) • Contingency (Note 16)

On behalf of the Board

Chair

See accompanying notes to the financial statements

Statement of Operations

British Columbia Housing Management Commission

Year Ended March 31	2008 ($000's)	2007 ($000's)
REVENUE		
Provincial contributions	$ 351,690	$ 318,644
Federal contributions	141,270	135,852
Tenant rent	35,685	29,733
Other	11,117	13,311
	$ 539,762	$ 497,540
EXPENSES		
Housing subsidies	$ 337,133	$ 329,479
Building modernization and improvement	58,331	49,980
Rental assistance	45,517	33,142
Salaries and labour	32,024	27,894
Operating expenses	22,955	14,318
Building maintenance	10,473	9,064
Utilities	9,266	9,047
Building mortgage costs	8,902	7,930
Office and overhead	8,243	9,187
Grants in lieu of property taxes (Note 13)	6,739	5,128
Interest expense	46	2,265
	$ 539,629	$ 497,434
Excess of revenue over expenses	133	106
Net assets, beginning of year	1,249	1,143
Net assets, end of year (Note 12)	$ 1,382	$ 1,249

See accompanying notes to the financial statements

Statement of Cash Flows

British Columbia Housing Management Commission

As at March 31	2008 ($000's)	2007 ($000's)
Cash flows provided by (used in)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 133	$ 106
Adjustments to determine cash flows:		
Depreciation	4,672	3,846
Change in non-cash working capital	19,167	18,731
	$ 23,972	$ 22,683
INVESTING ACTIVITIES		
Short term investments	$ (37,139)	$ (27,890)
Mortgages receivable	(211)	439
Proposal development advances	260	10,425
Construction loans provided to housing projects	3,199	1,140
Capital asset additions	(5,926)	(4,837)
	$ (39,817)	$ (20,723)
FINANCING ACTIVITIES		
Deferred revenue	$ (2,124)	$ 19,180
Advances from Provincial Rental Housing Corporation	(46,106)	42,042
Due to Provincial Treasury	(9,028)	(50,947)
Society funds held on deposit	1,419	3,160
Grants received in advance of construction	48,970	(11,370)
Social Housing Agreement Reserves	(214)	24,289
	$ (7,083)	$ 26,354
(Decrease) increase in cash	(22,928)	28,314
Cash, beginning of year	29,811	1,497
Cash, end of year	$ 6,883	$ 29,811

See accompanying notes to the financial statements

Notes to the Financial Statements March 31, 2008

British Columbia Housing Management Commission

1. GENERAL

The British Columbia Housing Management Commission is a Crown agency, established in 1967, responsible for developing new social housing under Provincial Housing Programs administering the Province's Shelter Aid for Elderly Renters program, and Rental Assistance Program; and administering a variety of other federal and/or provincial housing programs. The Commission manages public housing stock and administers agreements relating to units managed by housing sponsors. The Commission ensures that provincial housing policy is reflected in its programs and that these are delivered in a co-ordinated, cost-effective manner. The Commission is exempt from federal and prpvincial income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-for-profit organizations.

Use of Estimates

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Tenant Rent Revenue

Tenant rent revenue represents rent charged to residents, and is determined as the lesser of market rent and a percentage of each resident's income.

Capital Assets

Capital assets are recorded at cost and depreciated over their estimated useful lives. Both computer hardware and software are depreciated on the straight-line method over three years. All other capital assets are depreciated on the straight-line method over five years.

Employee Benefit Plans

The employees and employers of the public service contribute to the Public Service Pension Plan (the Plan), a jointly trusteed pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits are defined. The Plan has about 52,000 active plan members and approximately 32,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation as at March 31, 2005, indicated an unfunded liability of $767 million for basic pension benefits. The next valuation will be as at March 31, 2008 with results available in early 2009. The actuary does not attribute portions of the unfunded liability to individual employers. The Commission paid $2,071,773 for employer contributions to the Plan in fiscal 2008 (2007: $1,742,964). The employee contribution to the Plan was $1,838,968 in fiscal 2008 (2007: $1,547,245).

Financial Instruments

The Commission's financial instruments consist of cash, short-term investments, receivables, due from the Province of British Columbia, due from Canada Mortgage and Housing Corporation, mortgages receivable, construction loans to

British Columbia Housing Management Commission
Notes to the Financial Statements (continued)

housing projects proposal development advances, accounts payable and accrued liabilities, due to Provincial Rental Housing Corporation, due to Provincial Treasury, and Society funds held on deposit. These financial instruments are accounted for as follows:

Held-for-trading. The Commission has designated cash and short-term investments as held-for-trading. These instruments are initially recognized at cost. Upon application of the financial instruments accounting policy, they are recognized at their fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Net gains and losses arising from changes in fair value are recognized immediately in income.

Loans and receivables. The Commission has classified the following financial assets as loans and receivables: receivables due from Province of British Columbia, due from Canada Mortgage and Housing Corporation, mortgages receivable, construction loans to housing projects and proposal development advances. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment. Given the short-term nature of receivables due from Province of British Columbia, due from Canada Mortgage and Housing Corporation, and construction loans to housing projects - their carrying value equate to their current fair value. The current fair value of mortgages receivable is set out in Note 4. The current fair value of proposal development advances is not determinable.

Other financial liabilities. The Commission has classified the following financial liabilities as other financial liabilities: accounts payable and accrued liabilities, due to Provincial Rental Housing Corporation, due to Provincial Treasury and Society funds held on deposit. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment. The current fair value of accounts payable and accrued liabilities, due to Provincial Rental Housing Corporation and due to Provincial Treasury equate to their carrying value due to their short-term nature. The current fair value of Society funds held on deposit equates to its carrying value because it accrues interest at a variable current rate.

Change in Accounting Policy

Effective April 1, 2007, the Commission adopted the Canadian Institute of Chartered Accountants (Institute) new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. The new recommendations establish standards for recognizing and measuring financial assets, financial liabilities and derivatives. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

Not-for-profit organizations are also required to present gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. The Commission does not have any transactions which qualify for hedge accounting.

Transactions entered in to prior to the adoption of these recommendations have not been retroactively designated. In accordance with the transitional provisions, the prior year's comparative figures have not been restated.

Pursuant to the requirements of these financial instruments standards, the Commission now classifies and recognizes its financial assets and liabilities as described above. Upon adoption, the Commission re-measured its held-for-trading financial assets at their fair value, and its held-to-maturity investments, loans and receivables and other liabilities at their amortized cost. This change did not have a material impact on the carrying value of any of these items.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective and have a potential implication for the Commission, are as follows:

The Institute's expanded disclosure and presentation requirements enable users to evaluate the significance of financial instruments to an entity's financial position and performance.

These standards are effective for financial statements relating to fiscal years beginning on or after October 1, 2007. The Commission is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

3. CONSTRUCTION LOANS TO HOUSING PROJECTS

In its capacity as a National Housing Act approved lender, the Commission funds construction draws for societies who are building approved projects under social housing programs. These advances are repaid at substantial completion of each project from financing arranged with private lenders. Societies are charged interest at the Province's weighted average borrowing rate for short-term funds, plus administration costs.

The Provincial Treasury provides funding to the Commission for the purpose of advancing loans for construction. These loans are secured and bear interest at the Province's weighted average borrowing rate for short-term funds. The Commission has the authority to borrow up to a maximum of $165 million from the Provincial Treasury.

4. MORTGAGES RECEIVABLE

The Commission, in its capacity as a National Housing Act approved lender, occasionally acts as the take-out lender for some projects. The mortgages are secured by property and bear interest rates of up to 9.48%. (fair value - $5,228) (2006 - $5,273)

5. PROPOSAL DEVELOPMENT ADVANCES

Loan advances are made to sponsoring societies for needs studies, incorporation and site development costs. These are secured non-interest bearing advances and are normally repaid upon project completion or remain outstanding for three years, at which time they are written-off. An allowance is established for the value of advances outstanding whenever there is uncertainty about projects proceeding to the final commitment stage. An allowance was not considered necessary for this year or prior.

6. CAPITAL ASSETS

	Cost	Accumulated depreciation	2008 ($000's) Net book value	2007 ($000's) Net book value
Computer software	$ 12,050	$ 7,782	$ 4,268	$ 4,349
Computer hardware	2,112	1,563	549	565
Tenant improvements	4,111	2,359	1,752	613
Office furniture	2,426	1,738	688	673
Office equipment	628	585	43	43
Vehicles	414	175	239	208
Grounds equipment	283	238	45	44
	$ 22,142	$ 14,558	$ 7,584	$ 6,530

British Columbia Housing Management Commission
Notes to the Financial Statements (continued)

7. DEFERRED REVENUE

These funds are restricted contributions received in advance of related expenditures that are incurred in the following fiscal year.

	2007 ($000's)	Contributions Received ($000's)	Revenue Recognized ($000's)	2008 ($000's)
Provincial Contributions	$ 28,414	$ 350,202	$ (351,637)	$ 26,979
Canada Mortgage and Housing Corporation	7,327	140,622	(141,270)	6,679
Other Agencies	55	12	(53)	14
	$ 35,796	$ 490,836	$ (492,960)	$ 33,672

The Social Housing Agreements Reserves (Note 11) represent further restricted contributions from Canada Mortgage and Housing Corporation of a long term nature.

8. DUE TO PROVINCIAL RENTAL HOUSING CORPORATION

Amounts represent funds advanced for the acquisition and development of properties under social housing programs. The advances are non-interest bearing with no set terms of repayment.

9. SOCIETY FUNDS HELD ON DEPOSIT

These funds represent the balance of mortgage advances held to cover various non-profit society construction and soft costs required to complete their projects. Interest accrues on the society funds at the province's weighted average borrowing rate for short term funds.

10. GRANTS RECEIVED IN ADVANCE OF CONSTRUCTION

The Commission receives funds from the Province and Canada Mortgage and Housing Corporation (CMHC), the use of which is restricted to the construction of specific social housing projects.

	Balance, beginning of year ($000's)	Grant received ($000's)	Construction costs incurred ($000's)	Balance, end of year ($000's)
Project Grants	$ 22,548	$ 97,872	$ (63,922)	$ 56,498
CMHC – Phase 1	3,821	38	(2,123)	1,736
CMHC – Phase 2	20,173	6,153	(10,731)	15,594
Ministry – Other	5,179	38,285	(36,236)	7,228
	$ 51,721	$ 142,348	$ (113,012)	$ 81,056

11. SOCIAL HOUSING AGREEMENT RESERVES

The funds are available to offset future cost increases in the federal social housing portfolio due to inflation and changes in interest rates, or losses on loans owing by third parties. The funds are restricted under the Social Housing Agreement for only these purposes.

	($000's)
Balance, beginning of year	$ 24,289
Funds applied	(398)
Investment income	184
Balance, end of year	$ 24,075

12. CHANGES IN NET ASSETS

	Invested in capital assets ($000's)	Unrestricted ($000's)	2008 ($000's)	2007 ($000's)
Balance, beginning of year	$ 6,330	$ (5,081)	$ 1,249	$ 1,143
Excess of revenue over expenses for the year	(4,672)	4,805	133	106
Addition to capital assets	5,926	(5,926)	–	–
	$ 7,584	$ (6,202)	$ 1,382	$ 1,249

13. GRANTS IN LIEU OF TAXES

The Commission, on behalf of the Province and CMHC, pays each municipality a grant equivalent to gross property taxes due for all residential properties and projects managed.

14. COMMITMENTS

The Commission has minimum rental obligations under operating leases for office space over the next five fiscal years as follows:

	($000's)
2009	$ 3,791
2010	3,339
2011	2,135
2012	1,482
2013	$ 1,509

15. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Commission acquires goods and services from the Province and certain crown corporations, under prevailing trade terms.

These statements do not include the capital cost of the projects which are owned by Provincial Rental Housing Corporation (PRHC).

British Columbia Housing Management Commission
Notes to the Financial Statements (continued)

16. CONTINGENCY

Building Envelope Failure

In response to industry concerns and experience regarding building envelope failure, the Commission undertook a systematic review of non-profit and co-operative owned buildings and directly managed buildings under its administration. Buildings included in the study are part of the Federal/Provincial housing portfolio. The Commission received preliminary estimates for the cost of remediation for a number of projects.

Substantially all of the buildings have been examined. The costs, subject to confirmation through detailed engineering studies or actual repairs, are estimated to be in the range of $ 167.4 million. Repairs to non profit and co-operative owned buildings will be undertaken by housing sponsors in the future and the resulting expenditures, if accepted and approved, will be cost-shared with CMHC and the Province based on various program funding formulae. Requests for funding of the repairs will be included in annual budgets and reimbursed based on actual costs incurred.

Letters of Guarantee

As at March 31, 2008, the Commission was contingently liable with respect to letters of guarantee totalling $1,058,157 for municipal development cost charges.

17. FINANCIAL INSTRUMENT RISKS

The Commission, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2008.

a. Credit Risk

Credit risk is the risk that the Commission will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Commission to credit risk consist primarily of cash and short term investments, accounts receivable, mortgage receivables and construction loans. The Commission has an investment policy to ensure investments are managed appropriately to secure the preservation of capital and the availability of liquid funds. The Commission has also retained two qualified investment firms to invest surplus funds in accordance with its investment policy. The majority of receivables are due from federal and provincial agencies. Mortgage receivables are secured by property and are generally held for short periods (see note 4). Construction loans are also secured by property and repaid at substantial completion of project (see note 3).

b. Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission is not exposed to foreign exchange risk as all securities are denominated in Canadian dollars.

c. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Construction loans bear interest at the Provinces weighted average borrowing rate but these loans are short term. Investments bear some interest rate risk but these risks are mitigated through the diversification of the portfolio.

d. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market (see note 2 – financial instruments).

e. Liquidity Risk

Liquidity risk is the risk that the Commission will not be able to meet its obligations as they fall due. The Commission maintains adequate levels of working capital to ensure all its obligations can be met when they fall due (see note 2 – financial instruments).

Provincial Rental Housing Corporation

Financial Statements March 31, 2008

Statement of Management Responsibility

The financial statements of the Provincial Rental Housing Corporation (the Corporation) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 15, 2008. The financial statements have also been reviewed by the Audit and Risk Management Committee and approved by the Board of Directors.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Corporation's financial position, results of operations, changes in net assets and cash flows in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit and Risk Management Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit and Risk Management Committee, comprised of a director who is not an employee, meets regularly with the external auditors, the internal auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Commissions. The Audit and Risk Management Committee also recommends the appointment of external auditors to the Board of Directors. The external auditors have full and open access to the Audit and Risk Management Committee, with and without the presence of management.

Shayne Ramsay
President

Dan Maxwell
Chief Financial Officer

May 15, 2008

Auditors' Report

To the Shareholder of the
Provincial Rental Housing Corporation

We have audited the Statement of Financial Position of the Provincial Rental Housing Corporation as at March 31, 2008 and the Statement of Operations, Changes in Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Provincial Rental Housing Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, British Columbia
May 2, 2008

BDO Dunwoody LLP
Chartered Accountants & Advisors
600 Cathedral Place – 925 West Georgia Street
Vancouver, British Columbia
V6C 3L2

Statement of Financial Position

Provincial Rental Housing Corporation

As at March 31	2008 ($000's)	2007 ($000's)
ASSETS		
Investment in properties (Note 3)	$ 540,380	$ 458,393
Debenture subsidy receivable	839	839
Due from British Columbia Housing Management Commission (Note 4)	41,772	68,241
Cash	1	1
	$ 582,992	$ 527,474
LIABILITIES		
Long-term debt (Note 5)	$ 216,619	$ 206,139
Interest payable	568	584
Provincial transfer tax payable	-	7,431
Unearned lease revenue	91,984	94,035
Funding in advance of construction (Note 6)	19,150	48,246
Deferred contributions (Note 7)	67,452	30,317
	$ 395,773	$ 386,752
NET ASSETS		
Invested in properties	$ 164,325	$ 127,902
Internally restricted reserves (Note 8)	17,906	16,932
Unrestricted net assets (deficiency)	4,988	(4,112)
	$ 187,219	$ 140,722
	$ 582,992	$ 527,474

Subsequent event (Note 11)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements

Statement of Operations

Provincial Rental Housing Corporation

Year Ended March 31	2008 ($000's)	2007 ($000's)
REVENUE		
Directly managed debenture subsidy	$ 13,516	$ 12,578
Group home mortgage subsidy	8,656	7,339
Lease revenue	2,051	2,051
Contribution revenue	4,593	1,452
Gain on sale of property	4,974	1,657
	$ 33,790	$ 25,077
EXPENSES		
Interest on long-term debt	$ 13,690	$ 13,324
Property redevelopment (Note 9)	11,000	
Depreciation	8,179	5,596
Group home and self insurance claims	531	
	33,400	18,920
Excess of revenue over expenses for the year	$ 390	$ 6,157

See accompanying notes to the financial statements

Statement of Changes in Net Assets

Provincial Rental Housing Corporation

	Invested in Properties ($000's)	Group Home Replacement Reserves (000's)	Self Insurance Reserves (000's)	Unrestricted (000's)	2008 (000's)	2007 (000's)
Balance, beginning of year	$ 127,902	$ 5,542	$ 11,390	$ (4,112)	$ 140,722	$ 113,150
Excess of revenue over expenses for the year	(3,038)	190	(7)	3,245	390	6,157
Disposal of property	(1,029)	-	-	1,029	-	-
Additional funding for year	-	104	687	(791)	-	-
Transfer of internally restricted reserves from BCHMC	-	-	-	-	-	16,932
Transfer for capital funding received for prior year	(3,036)	-	-	3,036	-	-
Transfer for repayment of debt	4,950	-	-	(4,950)	-	-
Reversal of capital property tax	(7,531)	-	-	7,531	-	-
Transfer from province for investment in properties	46,107	-	-	-	46,107	4,483
Balance, end of year	$ 164,325	$ 5,836	$ 12,070	$ 4,988	$ 187,219	$ 140,722

See accompanying notes to the financial statements

Statement of Cash Flows

Provincial Rental Housing Corporation

Year Ended March 31	2008 ($000's)	2007 ($000's)
Cash flows provided by (used in)		
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	$ 390	$ 6,157
Adjustments to determine cash flows:		
Depreciation	8,179	5,596
Amortization of unearned lease revenue	(2,051)	(2,051)
Amortization of deferred contributions	(3,090)	(1,625)
Transfer of self insurance reserve	-	11,390
Transfer of group home replacement reserve	-	5,542
Change in non-cash working capital	(7,447)	8,361
	$ (4,019)	$ 33,370
INVESTING ACTIVITIES		
Property acquisitions	$ (90,165)	$ (112,423)
	$ (90,165)	$ (112,423)
FINANCING ACTIVITIES		
New financing	$ 19,359	$ 87,350
Long-term debt repayment	(8,880)	(9,089)
Funding in advance of construction	(28,334)	47,593
Deferred contributions	39,463	6,196
Property acquisition contribution receipts	46,107	4,483
Due to / from British Columbia Housing Management Commission	26,469	(57,480)
	$ 94,184	$ 79,053
Increase in cash	-	-
Cash, beginning of year	1	1
Cash, end of year	$ 1	$ 1

See accompanying notes to the financial statements

Notes to the Financial Statements March 31, 2007

Provincial Rental Housing Corporation

1. GENERAL

The Provincial Rental Housing Corporation was incorporated under the Company Act of the Province of British Columbia in 1961. The Corporation is wholly owned by the Province, and is an agent of the Crown. The Corporation is exempt from federal and provincial income taxes.

The Corporation holds property for social and other low cost housing for the Province. It also holds land under long-term leases to housing sponsors. The subsidized rental housing units of the Corporation are managed and operated by the British Columbia Housing Management Commission (the "Commission"), which is a Crown agency that records the related rental revenue and is responsible for all of the operating and administrative activities and related costs.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-for-profit organizations.

Use of Estimates

In preparing these financial statements management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment in Properties

The Corporation capitalizes its investment in properties at cost and depreciates its buildings on the straight-line method over 25 years.

Property Leases

The Corporation leases property used for housing projects to housing sponsors. These sixty-year leases are prepaid by the housing sponsors when the housing projects are completed and ready for occupancy. The Corporation amortizes the lease revenue over the term of each lease and records the unearned portion as unearned lease revenue.

Deferred Contributions

Funding received from the Province used for acquisition of depreciable capital assets is recorded as deferred contributions and is recognized as a recovery in the statement of operations equal to depreciation charged on related depreciable capital assets.

Funding received from the Province for acquisition of non-depreciable capital assets, such as land, is allocated to net assets invested in properties when the related assets are acquired.

Net Assets Invested in Properties

For some social housing projects and group homes, the Province provides grants to the Corporation for a portion of the construction costs. The Corporation records the portion of the grant relating to land as Net Assets Invested in Properties when the projects are completed.

From time to time, the Corporation disposes of property purchased for social housing projects that cannot proceed due to various circumstances. The proceeds from these sales are applied against the cost of purchasing alternate sites as appropriate. Any surplus or deficiency resulting from those sales is credited or charged to revenue.

Provincial Rental Housing Corporation
Notes to the Financial Statements (continued)

Financial Instruments

The Corporations financial instruments consist of debenture subsidy receivable, due from BC Housing Management Commission, cash, long-term debt and interest payable. These financial instruments are accounted for as follows:

Loans and receivables. The Corporation has classified the following financial assets as loans and receivables: debenture subsidy receivable and due from BC Housing Management Commission. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment. Given the short-term nature of these items their carrying value equates to their fair value.

Other financial liabilities. The Corporation has classified the following financial liabilities as other financial liabilities: long-term debt and interest payable. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment. The fair value of interest payable equates its carrying value. See Note 5 in regard to fair value of long-term debt.

Change in Accounting Policy

Effective April 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. The new recommendations establish new standards for recognizing and measuring financial assets, financial liabilities and derivatives. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

Not-for-profit organizations are also required to present gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. The Corporation does not have any transactions which qualify for hedge accounting.

Transactions entered in to prior to the adoption of these recommendations have not been retroactively designated. In accordance with the transitional provisions, the prior year comparative figures have not been restated.

Pursuant to the requirements of these financial instruments standards, the Corporation now classifies and recognizes its financial assets and liabilities as described above. Upon adoption, the Corporation re-measured its held-for-trading financial assets at their fair value, and its held-to-maturity investments, loans and receivables and other liabilities at their amortized cost. This change did not have a material impact on the carrying value of any of these items.

New Accounting Pronouncements

The Institute's expanded disclosure and presentation requirements enable users to evaluate the significance of financial instruments to an entity's financial position and performance. These standards are effective for financial statements relating to fiscal years beginning on or after October 1, 2007. The Corporation is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

3. INVESTMENT IN PROPERTIES

	Cost	Accumulated depreciation	2008 ($000's) Net book value	2007 ($000's) Net book value
Land	$ 396,329	$ -	$ 396,329	$ 358,023
Buildings	248,511	109,511	139,000	96,081
Construction in progress	5,051	-	5,051	4,289
	$ 649,891	$ 109,511	$ 540,380	$ 458,393

4. DUE FROM BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

Amounts represent funds advanced for the acquisition and development of properties under social housing programs. The amounts are non-interest bearing with no set terms of repayment.

5. LONG-TERM DEBT

	2008 ($000's)	2007 ($000's)
Canada Mortgage & Housing Corporation (CMHC) Debenture mortgages repayable at the end of each year, maturing between the years 2024 and 2027, bearing interest at rates from 4.35% to 14.25%, and secured by unregistered first mortgages on properties of the Corporation (Fair value - $128,133) (2007 - $151,234)	$ 105,866	$ 110,822
Chartered banks and CMHC Mortgages repayable monthly over terms of up to 35 years, bearing interest at rates from 3.59% to 8.7%, and secured by registered first mortgages on properties of the Corporation (Fair value - $114,638) (2007 - $96,203)	$ 110,753	95,317
	$ 216,619	$ 206,139

Provincial Rental Housing Corporation
Notes to the Financial Statements (continued)

Fair values were estimated by calculating the present value of the future mortgage payments discounted at the March 31st yield of the Government of Canada benchmark bond plus 50 basis points.

The aggregate principal repayments required in each of the next five fiscal years is estimated to be as follows:

	($000's)
2009	$ 29,397
2010	31,146
2011	26,562
2012	20,162
2013	18,363
Thereafter	90,989
	$ 216,619

6. FUNDING IN ADVANCE OF CONSTRUCTION

This balance represents construction funding received from various Provincial ministries in advance of property acquisitions and construction of non-profit housing and group homes. Interest does not accrue on funds received.

7. DEFERRED CONTRIBUTIONS

	2008 ($000's)	2007 ($000's)
Balance, beginning of year	$ 31,079	$ 21,457
Receipts	39,463	11,247
Amortization	(3,090)	(1,625)
Balance, end of year	$ 67,452	$ 31,079

8. GROUP HOME REPLACEMENT AND SELF INSURANCE RESERVES

In the prior year, the Commission transferred the Group Home Replacement and Self Insurance Reserves to the Provincial Rental Housing Corporation. In previous periods, these reserves were recorded as liabilities of the Commission to fund major repairs, maintenance and uninsured losses of buildings owned by the Provincial Rental Housing Corporation. The funds are now recorded as internally restricted net assets of the Corporation.

	Group Home Reserves ($000's)	Self Insurance Reserves ($000's)	Total ($000's)
Balance, beginning of year	$ 5,542	$ 11,390	$ 16,932
Additional funding	104	687	791
Interest	239	474	713
	5,885	12,551	18,436
Less: expenditures & claims	(40)	(490)	(530)
Balance, end of year	$ 5,845	$ 12,061	$ 17,906

9. PROPERTY REDEVELOPMENT

During fiscal 2007/08, the Corporation made expenditures to improve relations with parties who have a significant interest in the redevelopment of the Corporations properties.

10. RELATED PARTY TRANSACTIONS

a. Insurance

The Corporation does not insure its rental housing properties. Instead property losses are compensated by the Province through the Commission and, for certain properties, by CMHC.

b. Directly Managed Debenture Subsidy

Directly managed debenture subsidy represents funds received from the Commission for the principal and interest costs of the long-term debt related to directly managed properties.

c. Group Home Mortgage Subsidy

Group home mortgage subsidy represents the funds received from the Commission for mortgage payments to chartered banks and CMHC.

d. Administration and Financing

The Commission acts as agent in administering and financing the operations and capital projects of the Corporation. No administration costs are charged to the Corporation for such services performed.

11. SUBSEQUENT EVENT

The Corporation made a commitment to sell its Little Mountain property after the year end. The date of transfer of the property is conditional upon zoning approval by the City of Vancouver. The transfer will result in a material gain on sale, the amount of which will not be determinable until the title to the property is actually transferred.

12. FINANCIAL INSTRUMENT RISKS

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2008.

a. Credit Risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist primarily of the funds due from the Commission (note 4).

b. Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not exposed to foreign exchange risk.

c. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is subject to interest rate risk on its long term debt portfolio. The corporation mitigates this risk by maximizing its borrowing from CMHC and seeking competitive interest rates from financial institutions. The corporation is also able to mitigate short term interest rate changes through the Commissions ability to borrow directly from the Provincial Treasury.

Provincial Rental Housing Corporation
Notes to the Financial Statements (continued)

d. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Corporation is not exposed to Market Risk.

e. Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Commission administers the finances of the Corporation and maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

13. COMPARATIVE FIGURES

In the current period the presentation of receipts and expenditures from internally restricted reserves was changed so that these amounts would be reported in the statement of operations whereas in prior years such amounts were reported directly to Contributed Surplus. The comparative figures have been adjusted to conform with this new presentation. As a result of this change, excess of revenue over expenses for the year increased by $1,657 from the amount previously reported; however, there was no impact on the overall net assets of the Corporation.

Glossary

PROGRAM ACRONYMS AT A GLANCE

AHI – Aboriginal Housing Initiative
CPI – Community Partnership Initiatives
HEF – Housing Endowment Fund
ILBC – Independent Living BC Program
PHI – Provincial Homelessness Initiative
RAP – Rental Assistance Program
SAFER – Shelter Aid for Elderly Renters Program
SRO – Single Room Occupancy Hotel

Aboriginal Homeless Outreach Program: Homeless Outreach workers directly engage homeless Aboriginal people living on the street and provide access to housing, income assistance, and community-based support services to help break the cycle of homelessness.

Aboriginal Housing Initiative (AHI): Provides funding to develop new, affordable housing for Aboriginal people living off-reserve, meeting long-term Aboriginal housing needs.

Assisted Living: Assisted living units are self-contained apartments for seniors or people with disabilities who need some support services to continue living independently, but do not need 24-hour facility care. Services provided include daily meals, social and recreational opportunities, assistance with medications, mobility and other care needs, a 24-hour response system and light housekeeping.

Community Partnership Initiatives (CPI): Community Partnership Initiatives help our housing partners create a range of innovative housing projects for people in need. CPI offers one-time grants, access to consulting services, and construction and long-term financing for projects that do not need ongoing operating subsidies.

Cooperative Housing: A housing development in which individual residents own a share in the cooperative. This share grants them equal access to common areas, voting rights, occupancy of an apartment or townhouse as if they were owners and the right to vote for board members to manage the cooperative. Each member has one vote and members work together to keep their housing well-managed and affordable.

Core Housing Need: Households in core housing need are those individuals who currently reside in housing that is either in need of major repair, does not have enough bedrooms for the size and makeup of the household, or costs 30 per cent or more of their total income, and who are unable to rent an alternative housing unit that meets these standards without paying 30 per cent or more of their income.

Emergency Shelter: Short-stay housing of 30 days or less. Emergency shelters provide single or shared bedrooms or dorm-type sleeping arrangements, with varying levels of support to individuals.

Emergency Shelter Program: The program offers temporary shelter, food and other services to meet the basic nutritional and hygiene needs of people who are homeless as well as providing a gateway to support services that help individuals to re-stabilize their lives. There are approximately 60 homeless shelters and drop-in agencies funded by the government throughout British Columbia.

Group Home: A small, community-based development, usually under 10 beds/units, that provides affordable housing with supports to those with special needs including individuals with severe mental and physical disabilities, youth, and women with their children fleeing abuse. BC Housing provides administration and property management support for group homes on behalf of other provincial ministries and health authorities.

Homeless Outreach Program: The program connects homeless people to income assistance, housing and community-based health services in over 40 communities across the province.

Glossary (continued)

Housing Endowment Fund: The fund is a $250 million capital endowment that was established to encourage new ideas and support innovative housing solutions. The investment revenue of approximately $10 million a year is paid out in keeping with the mandate and purpose of the *Housing Endowment Fund*. The intent is to allocate available revenue on an ongoing basis each year.

Housing Providers: Non-profit housing societies and housing cooperatives that own and manage subsidized housing developments. This term can also include private-market landlords through whom BC Housing provides rent assistance to low-income households.

Independent Living BC (ILBC): Created in 2002, this housing-for-health program serves seniors and people with disabilities who require some support, but do not need 24-hour institutional care. *ILBC* offers a middle option to bridge the gap between home care and residential care. Through *Housing Matters BC*, the Province is committed to providing 5,000 affordable assisted living apartments for B.C. seniors and persons with disabilities. To date, more than 4,000 units have been allocated in communities across the province.

NIMBY: (Not-In-My-Back-Yard) Community opposition to new social housing developments based upon fear, assumptions and stereotypes that some people may harbour about the individuals that will live in these developments.

Non-Profit Housing: Rental housing that is owned and operated by community-based, non-profit societies. The mandates of these societies are to provide safe, secure, affordable accommodation to households with low to moderate incomes. Most non-profit housing societies receive some form of financial assistance from government to enable them to offer affordable rents. Each society operates independently under the direction of a volunteer board of directors.

Operating Budget: The annual budget for a non-profit or cooperative housing development. The budget forecasts the costs of operating a development, based on income and expenses, and is used to determine the subsidy level BC Housing provides each month to run the building.

Provincial Homelessness Initiative (PHI): BC Housing provides funding for non-profit housing developments with support services that address homelessness in B.C. communities. Through *Housing Matters BC*, the Province has committed to creating nearly 4,000 new and upgraded supportive housing units across B.C.

Public Housing: Housing that is jointly funded by the provincial and federal governments and predominantly managed by BC Housing. Most of these developments were constructed in the 1950s and 1960s.

Rent Assistance: Rent supplement agreements with private landlords as well as housing allowances paid directly to households in the private market.

Rental Assistance Program: The program is for low-income, working families with at least one dependent child and a household income of less than $35,000. Cash assistance is paid directly to eligible households to assist these families in meeting monthly rent payments in the private market.

Seniors' Supportive Housing (SSH): A program to upgrade or convert up to 730 subsidized housing units to supportive housing. The program provides specially modified rental homes, in selected subsidized housing developments, primarily to low-income seniors who need some assistance in order to continue to live independently.

Shelter Aid for Elderly Renters (SAFER): The SAFER program provides direct cash assistance to eligible residents of British Columbia who are age 60 or over and pay rent for their homes.

Single Room Occupancy Hotel (SRO): Single room occupancy hotels provide long-term accommodation in single rooms, typically without private bathrooms or kitchens.

Social Housing: Includes both public housing and housing that is owned and managed by non-profit and cooperative housing providers.

Subsidized Housing: Encompasses all types of housing for which the provincial government provides a subsidy or rent assistance, including public, non-profit and cooperative housing, as well as rent assistance for people living in private-market housing. It also includes emergency housing and short-term shelters.

Subsidy: BC Housing provides monthly subsidies to organizations to fund the costs of operating subsidized-housing units. The subsidy is based on the operating costs set out in the annual budget, less the total rents/housing charges collected from tenants. Subsidy payments include rent subsidies/repayable assistance and cover the mortgage payments, building maintenance and other shelter-related costs.

Supportive/Supported Housing: Housing that provides ongoing supports and services to residents who cannot live independently and are not expected to become fully self-sufficient.

The Housing Registry: Centralized database of applicants' information and housing providers coordinated by BC Housing. It allows individuals to apply for housing with multiple service providers using one application form.

Transitional Housing: Housing that is provided for a minimum of 30 days and up to two or three years, which includes the provision of on- or off-site support services to help people move towards independence and self-sufficiency. Transitional housing is often called second-stage housing and includes housing for women with their children fleeing abuse.

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